CENTRAL STATISTICAL OFFICE

Economic Trends

ARTICLES

UK balance of payments in the fourth quarter and year 1973

Resources devoted to research and development by manufacturing industry

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Release dates of economic statistics to be published in April 1974

This list is published by the Government Statistical Service as a guide to the dates of publication of major economic series in April. The dates are those which Departments, or other organisations concerned, are aiming at, and would normally expect to meet. They are always subject to the possibility of a delay resulting from unavoidable statistical problems of collection and compilation. There may, however, be exceptional delays occasioned by the present emergency measures, although some allowance for this has been made in dates given for April. Further enquiries about individual series should be addressed to the source named.

April 1974	*Series*	*Method of release*	*Source*
Mon 1	Central government borrowing requirement (February-provisional)	FS	CSO/Treasury
	Hire purchase and other instalment credit business (February)	PN	D of Industry
	Retail trade (February-final)	PN	D of Industry
Tues 2	UK official reserves (March)	PN	Treasury
	Capital issues and redemptions (March)	PN	Bank of England
Thurs 4	Capital expenditure by the manufacturing, distributive and service industries (4th qtr-revised)	T and I	D of Industry
	Manufacturers' and distributors' stocks (4th qtr-revised)	T and I	D of Industry
Fri 5	Consolidated Fund and National Loans Fund (March)	LG	Treasury
	National income and expenditure (4th qtr-revised)	PN	CSO
Mon 8	Turnover of the catering trades (February)	PN	D of Industry
Wed 10	London clearing banks monthly statement (mid-March)	PN	Ctte. LCB
	UK banks' eligible liabilities, reserve assets and reserve ratios (mid-March)	PN	Bank of England
Thurs 11	Sales and orders in the engineering industry (December)	T and I	D of Industry
	Car and commercial vehicle production (March-provisional)	PN	D of Industry
Fri 12	Crude steel production (March)	PN	BSC/BISPA
Tues 16	Wholesale prices index numbers (March)	PN	D of Industry
	Retail trade (March-provisional)	PN	D of Industry
Wed 17	Basic rates of wages and normal weekly hours (end-March)	PN	D of Employment
	Monthly index of average earnings (February)	PN	D of Employment
Thurs 18	Index of industrial production (February)	PN	CSO
	Consumers' expenditure (1st qtr-1st preliminary estimate)	PN	CSO
Fri 19	Building societies' receipts and loans (March)	PN	Building Societies Assn.
	Retail prices index (March)	PN	D of Employment
	Balance of payments current account and overseas trade figures (March)	PN	D of Trade/CSO
Sun 21	National savings monthly progress report (March)	PN	National Savings Ctte.
Mon 22	Unemployment (April-provisional)	PN	D of Employment
	Unfilled vacancies (April-provisional)	PN	D of Employment
	New vehicle registrations (March)	PN	D of the Environment
	UK banks' assets and liabilities and the money stock (mid-March)	PN	Bank of England
Tues 23	Appropriation account of companies (4th qtr)	PN	CSO
	Net acquisition of financial assets–analysis by sector (4th qtr)	PN	CSO
	Financial accounts of industrial and commercial company and personal sectors (4th qtr)	PN	CSO
Thurs 25	Energy trends	T and I	D of Energy
	Unemployment (March-final)	Gazette	D of Employment
	Employment in production industries (February)	Gazette	D of Employment
	Overtime and short-time working in manufacturing industries (February)	Gazette	D of Employment
	Stoppages of work due to industrial disputes (March)	Gazette	D of Employment
	Car and commercial vehicle production (March-final)	PN	D of Industry
Tues 30	Construction–new orders (February)	PN	D of the Environment
	Bricks and cement production (March)	PN	D of the Environment
	Imports and exports unit value and volume index numbers and terms of trade (February)	PN	D of Trade

FS=*Financial Statistics* PN=*Press Notice* T and I=*Trade and Industry* LG=*London Gazette*

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Economic Trends

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INTRODUCTION

Economic Trends is prepared monthly by the Central Statistical Office in collaboration with the statistics divisions of Government Departments. It provides charts and tables illustrating trends in the United Kingdom economy. In addition, there are articles which comment on and analyse economic statistics, introduce new series or describe methods used in compiling official statistics. This issue contains information available to the Central Statistical Office on or before 21 March 1974.

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Note : The quarterly figures from the national accounts (that is, gross domestic product, etc.) published in this issue are not necessarily consistent with the latest figures recently published in *Preliminary Estimates of National Income and Balance of Payments 1968 to 1973* (Cmnd. 5575), which also includes estimates for the fourth quarter of 1973. Revised estimates will be published in the April issue of *Economic Trends*. Owing to the timing of the Budget, no economic situation article is included in this issue. Comment on the economic background to the Budget is included in the *Financial Statement and Budget Report 1974-75*.

Government Statistical Service

A service of statistical information and advice is provided to Government by specialist staffs employed in the statistics divisions of individual Departments. Statistics are made generally available through their publications and further information and advice on them can be obtained from the Department concerned. The sources of the series published in this volume and further information about them are shown on page 43. Current telephone numbers of these sources as well as general information about *Economic Trends* can be obtained from the Central Statistical Office, Great George Street, London SW1P 3AQ. Telephone 01-930 5422 Ext 602.

Enquiries about orders and subscriptions should be made to the publisher, Her Majesty's Stationery Office, PO Box 569, London SE1 9NH Telephone 01-928 6977.

United Kingdom balance of payments in the fourth quarter and year 1973

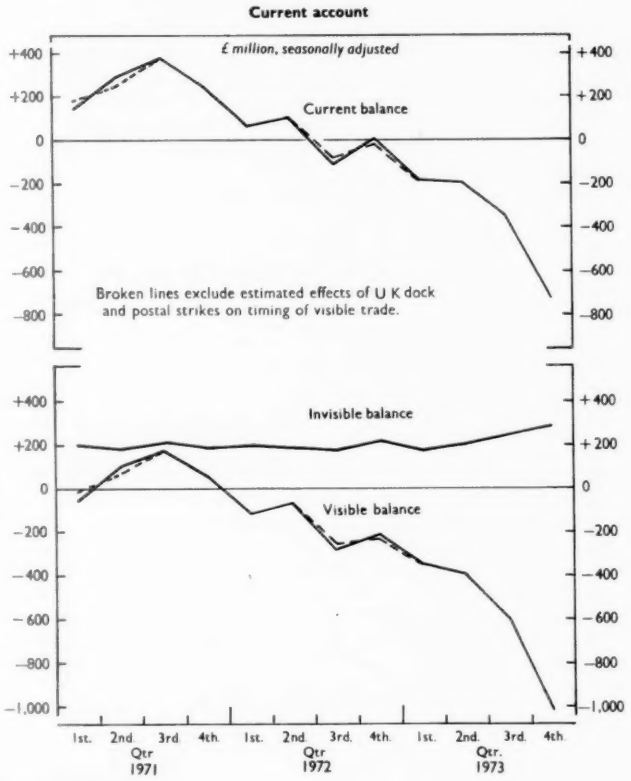
Summary

Current balance (seasonally adjusted)

The current account is estimated to have been in deficit by about £730 million in the fourth quarter. For 1973 as a whole the deficit is estimated at about £1,470 million.

The deficit on visible trade in the fourth quarter of about £1,020 million was some £410 million greater than in the preceding quarter, in part owing to a further deterioration in the terms of trade. For the year as a whole the deficit was about £1,700 million greater than in 1972. Between the two years the terms of trade deteriorated by about 12 per cent accounting for about four-fifths of the increase in the deficit.

The surplus on invisibles, estimated at £290 million in the fourth quarter, was considerably higher than in preceding quarters. Much of the improvement in the surplus in the second half of the year arises from the latest estimates of net earnings on direct investment. For the year as a whole the invisibles surplus was almost £910 million, an improvement of about £160 million on the surplus in 1972. The surplus on interest, profits and dividends was about £285 million greater than in 1972 and that on other services £120 million higher. These increases were partly offset by a rise of some £210 million in the deficit on government account, arising from the commencement of payments to the European Communities' Budget and also the increased cost of military services overseas following the further depreciation of sterling. The deficit on private transfers rose by about £35 million.



Summary balance of payments

TABLE A £ million

	1971	1972	1973	1972				1973			
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
				Seasonally adjusted							
Current account											
Visible trade	+ 285	— 677	—2,375	—121	— 64	—284	—208	—351	—399	—606	—1,019
Invisibles	+ 782	+ 746	+ 907	+192	+ 176	+168	+210	+165	+203	+249	+ 290
CURRENT BALANCE	+1,067	+ 69	—1,468	+ 71	+ 112	—116	+ 2	—186	—196	—357	— 729
				Not seasonally adjusted							
Currency flow and official financing											
Current balance	+1,067	+ 69	—1,468	— 25	+ 180	—155	+ 69	—363	—185	—326	— 594
Capital transfers(1)	—	—	— 59	—	—	—	—	— 38	— 19	— 1	— 1
Investment and other capital flows	+1,863	— 757	+1,264	— 1	— 834	— 65	+143	+115	+635	—156	+ 670
Balancing item	+ 298	— 577	+ 473	+ 83	— 391	+141	—410	+355	— 54	+225	— 53
TOTAL CURRENCY FLOW	+3,228	—1,265	+ 210	+ 57	—1,045	— 79	—198	+ 69	+ 377	—258	+ 22
Allocation of Special Drawing Rights (+)	+ 125	+ 124	—	+124	—	—	—	—	—	—	—
Total	+3,353	—1,141	+ 210	+181	—1,045	— 79	—198	+ 69	+377	—258	+ 22
Financed as follows:											
Net transactions with overseas monetary authorities(2)	—1,817	+ 449	—	+ 10	+999	—560	—	—	—	—	—
Official reserves (drawings on, +/additions to, —)(2)(3)	—1,536	+ 692	— 210	—191	+ 46	+639	+198	— 69	—377	+258	— 22

(1) Payments under the Sterling Agreements of 1968, as renewed in 1971.
(2) From July 1972, transactions with the IMF affecting the United Kingdom reserve position in the Fund are included as changes in the official reserves.
(3) From 23 August 1971, valued in sterling at the rates of exchange at which transactions occurred.

Investment and other capital flows (not seasonally adjusted)

There was an identified net inflow in the fourth quarter of £670 million. Overseas investment in the United Kingdom public sector totalled over £150 million, of which £140 million was borrowing abroad in overseas currencies; the public sector borrowed a further £210 million in overseas currencies through United Kingdom banks. Inward investment into the private sector, at over £390 million, showed a large rise, particularly in direct investment, and there was also an increase of nearly £200 million in overseas countries' exchange reserves in sterling compared with the sharp fall in the preceding quarter. The outflow of United Kingdom private investment overseas of nearly £400 million showed a substantial increase, following the exceptional disinvestment in portfolio securities and by oil companies in the third quarter. Some £165 million of this investment was met by overseas currency borrowing through United Kingdom banks; most of the remainder was accounted for by profits re-invested overseas.

Taking 1973 as a whole there was an identified net inflow of about £1,265 million. Of this total about £1,100 million was borrowed by the public sector in overseas currencies either directly from abroad or through United Kingdom banks. In addition over £1,350 million was invested in the United Kingdom private sector. Outward private investment amounted to over £1,250 million, met largely by overseas currency borrowing of over £450 million and profits re-invested overseas. External sterling liabilities rose by over £100 million despite a sharp fall in the third quarter. Provisional estimates of trade credit and other short-term flows show a net outflow of over £220 million.

Total currency flow and official financing (not seasonally adjusted)

There was a net currency inflow in the fourth quarter of £22 million. The current account deficit of about £590 million was more than matched by identified inflows of investment and other capital. There was a negative balancing item and the net currency inflow was added to the reserves.

There was a net currency inflow in the year amounting to £210 million. The current account was in deficit by nearly £1,470 million and there were capital transfers (arising from the implementation of the Sterling Agreements) of nearly £60 million. Identified investment and other capital inflows amounted to about £1,265 million leaving a positive balancing item, including unidentified inflows, of about £475 million. The net currency inflow was added to the official reserves.

Detail

Fourth quarter 1973

Visible trade (seasonally adjusted)

In the fourth quarter of 1973 the deficit on visible trade was £1,019 million compared with a deficit of £606 million in the third quarter. Most of this deterioration reflected both a further worsening of 4 per cent in the terms of trade—the import unit value index increased by 10 per cent, part of which was accounted for by the rapid rise in fuel prices, while the export unit value index was 6 per cent higher—and a strong growth in the volume of imports.

The value of exports in the fourth quarter was 1 per cent higher than in the preceding quarter. Between the quarters, exports to Western Europe increased by 7 per

Current account

TABLE B

£ million

	1971	1972	1973	1972				1973			
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
				Seasonally adjusted							
Visible trade											
Exports (f.o.b.)	8,796	9,134	11,435	2,177	2,293	2,052	2,612	2,633	2,794	2,984	3,024
Imports (f.o.b.)	8,511	9,811	13,810	2,298	2,357	2,336	2,820	2,984	3,193	3,590	4,043
Visible balance	+285	—677	—2,375	—121	— 64	—284	—208	—351	—399	—606	—1,019
Invisibles(1)											
Government services and transfers (net)	—526	—561	—772	—141	—139	—142	—139	—187	—188	—197	—200
Private (2) services and transfers (net)	+792	+831	+916	+218	+204	+200	+209	+207	+210	+239	+260
Interest, profits and dividends (net)											
Private sector	+715	+623	+985	+147	+144	+146	+186	+201	+238	+256	+290
Public sector	—199	—147	—222	— 32	— 33	— 36	— 46	— 56	— 57	— 49	— 60
Invisible balance	+782	+746	+907	+192	+176	+168	+210	+165	+203	+249	+290
Current balance	+1,067	+ 69	—1,468	+ 71	+112	—116	+ 2	—186	—196	—357	—729
Net seasonal influences on current account	—	—	—	— 96	+ 68	— 39	+ 67	—177	+ 11	+ 31	+135
				Not seasonally adjusted							
Current balance	+1,067	+ 69	—1,468	— 25	+180	—155	+ 69	—363	—185	—326	—594

(1) Credits and debits are shown separately in Table D.
(2) Including public corporations.

cent and those to North America by 4 per cent. In contrast deliveries to the Sterling area outside Europe showed no change and there was a fall of 2 per cent in exports to the rest of the world.

The value of imports in the fourth quarter of 1973 was 13 per cent higher than in the previous quarter. Compared with the preceding quarter imports of industrial materials increased by 13 per cent which included rises of 12 per cent in chemicals, 16 per cent in other semi-manufactures and 10 per cent in basic materials. Among finished manufactures, which in total increased by 7 per cent, there was a fall in arrivals of road motor vehicles of 12 per cent. Imports of fuels were 22 per cent higher in value, a fall of 6 per cent in volume being more than offset by the rapid increase in oil prices.

Invisibles (seasonally adjusted)

The net surplus on invisible transactions in the fourth quarter is estimated at £290 million, representing an improvement of some £40 million over the surplus in the third quarter, now revised to nearly £250 million. Increases of £23 million in net earnings in the form of interest, profits and dividends, and of £25 million and £7 million respectively in the net surpluses on sea transport and other services, were partly offset by small increases in the net deficits on private transfers and government transactions.

Analysis of total currency flow and official financing

Not seasonally adjusted

TABLE C

£ million

	1971	1972	1973	1973			
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Current balance	+1,067	+ 69	—1,468	—363	—185	—326	—594
Capital transfers(1)	—	—	— 59	— 38	— 19	— 1	— 1
Investment and other capital flows							
Official long-term capital	—273	—256	—254	— 56	— 31	— 25	—142
Overseas investment in UK public sector(2)	+179	+113	+301	+ 44	+ 68	+ 37	+152
Overseas investment in UK private sector	+1,008	+729	+1,365	+288	+352	+332	+393
UK private investment overseas	—875	—1,450	—1,253	—340	—283	—235	—395
Overseas currency borrowing or lending (net) by UK Banks							
Borrowing to finance UK investment overseas	+280	+720	+470	+175	+ 65	+ 65	+165
Borrowing to finance lending to UK public sector(3)	..	..	+831	+ 39	+234	+347	+211
Other borrowing or lending (net)(4)	+219	—249	— 84	—191	+ 47	— 52	+112
Exchange reserves in sterling (5):							
British government stocks	+ 55	+ 65	+ 74	+ 18	+ 92	— 38	+ 2
Banking and money market liabilities	+658	+222	+ 65	+183	— 3	—308	+193
Other external banking and money market liabilities in sterling	+709	— 91	— 30	— 37	+ 79	— 74	+ 2
Import credit (6)	+ 77	+187	+166	+ 29	+ 43	— 7	+101
Export credit (6)	—172	—296	—155	— 88	+ 16	— 43	— 40
Other short-term flows	— 2	—451	—232	+ 51	— 44	—155	— 84
Total investment and other capital flows	+1,863	—757	+1,264	+115	+635	—156	+670
Balancing item	+298	—577	+473	+355	— 54	+225	— 53
Total currency flow	+3,228	—1,265	+210	+ 69	+377	—258	+ 22
Allocation of Special Drawing Rights	+125	+124	—	—	—	—	—
Total	+3,353	—1,141	+210	+ 69	+377	—258	+ 22
Official financing							
Net transactions with overseas monetary authorities							
IMF(7)	—554	—415	—	—	—	—	—
Other monetary authorities	—1,263	+864	—	—	—	—	—
Drawings on (+)/additions to (—) official reserves (7)(8)	—1,536	+692	—210	— 69	—377	+258	— 22
Total official financing	—3,353	+1,141	—210	— 69	—377	+258	— 22

(1) Payments under the Sterling Agreements of 1968, as renewed in 1971.
(2) Excluding investment in British government stocks by central monetary institutions and international organisations.
(3) Prior to 1973 borrowing of this type was not separately distinguished but was probably small.
(4) Including adjustment for changes in sterling valuation of overseas currency liabilities and claims between beginning and end of quarters; see note on page 75 of *UK Balance of Payments 1973*.
(5) Sterling reserves of overseas countries and international organisations, other than the IMF, as reported by banks, etc. in the UK.
(6) Excluding trade credit between related firms; after deducting advance and progress payments to suppliers.
(7) From July 1972, transactions with the IMF affecting the United Kingdom reserve position in the Fund are included as changes in the official reserves.
(8) From 23 August 1971, valued in sterling at transactions rates of exchange.

Much of the buoyancy in the net surplus on interest, profits and dividends in the fourth quarter and earlier quarters resulted from the increased earnings of United Kingdom companies on their direct investment overseas. The latest information indicates that the remitted and unremitted profits of overseas subsidiaries were considerably higher than earlier provisional estimates suggested, reflecting both increased profitability in the quarter (including realised stock appreciation linked to the rise in commodity prices) and the beneficial impact of movements in exchange rates. This exchange rate effect does not apply to the sterling earnings of overseas companies on their direct investments in the United Kingdom and these did not rise to the same extent in 1973; the fall-back in the profits of the motor industry in the second half of the year was also a contributing factor. The overseas earnings of United Kingdom oil companies showed an increase over those in the third quarter. Debits and credits on other interest, profits and dividends were higher, reflecting increases in the interest which is paid on other external liabilities and claims.

The net deficit on government transactions was at much the same level as in the third quarter, with an increase in military and administrative costs overseas affected by movements in exchange rates being offset by a decrease in economic grants.

Within private services, the sea transport account showed a small surplus, mainly reflecting the increased earnings (particularly by tankers) from higher freight rates, which had increased in dollar terms. Dry cargo shipping experienced some operating difficulties associated with the oil crisis, which led to reductions in speed caused by the temporary fuel shortages and price rises. Because of the fall in traffic, disbursements overseas are estimated at much the same level as in the previous quarter, despite increases in costs. United Kingdom airlines' overseas earnings showed strong growth, particularly in respect of long haul services. At the same time, however, rapidly increasing fuel costs contributed to a faster growth in expenditure overseas. The rapid increase in costs was also reflected in the expenditure of foreign airlines in the United Kingdom. There was a more modest growth in payments by United Kingdom residents to foreign airlines. Preliminary estimates for travel suggest that the small net surplus of the third quarter was maintained in the fourth; the increase in credits in the latter half of 1973 was mainly due to a rise in the number of arrivals from Western Europe. The surplus on other services continued to improve, mainly because of increases in earnings of commission on merchandise imports and receipts for telecommunication and postal services.

Investment and other capital flows (not seasonally adjusted)

During the fourth quarter sterling depreciated against the United States dollar, the exchange rate falling from £1=$2.4139 at the end of September to £1=$2.3235 at the end of December. The average of the daily closing middle market rates in the quarter was £1=$2.3822. Taking into account movements in the exchange rates of major currencies and their relative importance in United Kingdom trade, the mean effective depreciation of sterling since the Smithsonian Agreement in December 1971 was 18½ per cent in the fourth quarter compared with 17 per cent in the third quarter.

Invisibles

Seasonally adjusted

TABLE D

£ million

	1971	1972	1973	1972				1973			
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Credits											
Services											
Government	59	75	65	18	16	20	21	14	18	16	17
Private (1)	3,783	4,084	4,958	1,002	1,000	1,021	1,061	1,119	1,198	1,276	1,365
Interest, profits and dividends											
Private sector	1,371	1,440	2,049	338	346	353	403	462	489	522	576
Public sector	100	167	155	44	43	43	37	34	34	46	41
Transfers											
Government	—	—	75	—	—	—	—	18	19	19	19
Private	202	211	222	52	52	53	54	55	55	56	56
Total	5,515	5,977	7,524	1,454	1,457	1,490	1,576	1,702	1,813	1,935	2,074
Debits											
Services											
Government	385	434	515	105	102	111	116	118	122	135	140
Private (1)	2,961	3,178	3,931	771	779	800	828	888	960	1,012	1,071
Interest, profits and dividends											
Private sector	656	817	1,064	191	202	207	217	261	251	266	286
Public sector	299	314	377	76	76	79	83	90	91	95	101
Transfers											
Government	200	202	397	54	53	51	44	101	103	97	96
Private	232	286	333	65	69	74	78	79	83	81	90
Total	4,733	5,231	6,617	1,262	1,281	1,322	1,366	1,537	1,610	1,686	1,784
Invisible balance	+782	+746	+907	+192	+176	+168	+210	+165	+203	+249	+290

(1) Including public corporations.

Identified investment and other capital flows in the fourth quarter resulted in a net inflow of about £670 million compared with an outflow now put at some £160 million in the third quarter.

The net outflow of *official long-term capital* was seasonally high in the fourth quarter, amounting to £142 million compared with an average of about £37 million in the three preceding quarters. The largest components were the third replenishment contribution to the International Development Association of £52 million and repayments totalling £48 million of the post-war North American loans. Also included are repayments of the Export-Import Bank credit for the purchase of United States military aircraft and missiles and the first United Kingdom contribution to the reserves of the European Coal and Steel Community.

Overseas investment in the United Kingdom public sector was at the high level of £152 million. This included receipts of £68 million from net issues abroad, the largest being by the National Coal Board and the Greater London Council, and £72 million from net borrowing abroad from banks, etc., including amounts by the British Gas and British Steel Corporations. Of the total receipts, £98 million was borrowed under the exchange cover scheme—£70 million by public corporations and £28 million by local authorities.

Overseas investment in the United Kingdom private sector, estimated at around £390 million in the fourth quarter, was some £60 million higher than in the third quarter. Inward portfolio investment was low compared with the preceding quarter, as was oil and miscellaneous investment. Inward direct investment, however, rose by some £125 million to over £240 million partly reflecting acquisitions by foreign companies of new holdings in British industry and a small rise in the re-invested profits of existing United Kingdom subsidiaries of overseas parents.

United Kingdom private investment overseas, estimated at some £395 million in the fourth quarter, was £160 million higher than in the previous quarter. Direct investment overseas, the greater part of which arises from re-invested profits, fell from the high level of the preceding quarter though remaining historically high. The small disinvestment on portfolio investment experienced in the second and third quarters was reversed in the fourth quarter to an outflow of about £30 million, reflecting more favourable conditions for investment in the United States. There was also an increase in the level of oil investment overseas after exceptional disinvestment in the third quarter.

Overseas currency borrowing or lending (net) by United Kingdom banks resulted in a net inflow of nearly £490 million. Borrowing to finance United Kingdom investment overseas, at £165 million, showed a return to the high level prevailing in 1972 and early 1973, largely reflecting an increase in borrowing for outward direct investment. Borrowing in overseas currencies by the public sector from United Kingdom banks amounted to £211 million, almost all of which was arranged under the exchange cover scheme. There was also an inflow of £112 million from other net borrowing by banks.

Exchange reserves in sterling increased by nearly £200 million in the quarter compared with a fall of nearly £350 million in the preceding quarter. There was little net change in holdings of British government stocks and almost all of the rise was in banking and money market liabilities in sterling. Also included is a rise of some £40 million in the holdings of international organisations, following the payment in November of the United Kingdom subscription to the International Development

Inward and outward investment(1)—UK private sector

Not seasonally adjusted

TABLE E

£ million

	1971	1972	1973	1972				1973			
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Overseas investment in UK private sector											
Direct											
Unremitted profits(2) ..	+174	+253	+277	+ 44	+ 81	+ 58	+ 70	+ 4	+ 68	+ 96	+109
Other	+254	+ 90	+306	+ 16	+ 19	+ 36	+ 19	+ 25	+128	+ 20	+133
Investment in UK company securities	+189	+155	+239	— 7	+ 36	+ 59	+ 67	+116	+ 50	+ 49	+ 24
Oil and miscellaneous ..	+391	+231	+543	+100	+ 25	+ 81	+ 25	+143	+106	+167	+127
Total	+1,008	+729	+1,365	+153	+161	+234	+181	+288	+352	+332	+393
UK private investment overseas											
Direct											
Unremitted profits (2) ..	—316	—398	—671	— 86	—105	— 94	—113	—139	—164	—177	—191
Other	—329	—294	—468	— 66	— 31	— 79	—118	— 70	—130	—184	— 84
Portfolio	— 77	—686	— 29	—165	—200	—179	—142	— 53	+ 20	+ 35	— 31
Oil and miscellaneous ..	—153	— 72	— 85	— 23	— 22	— 3	— 24	— 78	— 9	+ 91	— 89
Total	—875	—1,450	—1,253	—340	—358	—355	—397	—340	—283	—235	—395

(1) Net of disinvestment. Assets: increase — / decrease +. Liabilities: increase + / decrease —.
(2) Excluding unremitted profits of branches.

Association. There was little net change in *other external banking and money market liabilities in sterling*, a net fall of about £110 million in holdings of overseas sterling countries being offset by increased holdings by other countries.

Preliminary estimates, which may be subject to substantial revision, of trade credit extended between 'unrelated' concerns indicate that net *import credit* received was high for the quarter at about £100 million. Net credit received on imports of ships and aircraft reflected the high value of deliveries; the increase of £40 million in other import credit was substantially higher than in the previous quarter. Net *export credit* extended is estimated to have risen by £40 million, with increases being recorded for both supplier and bank credit.

Other short-term flows are provisionally estimated to have resulted in a net outflow of some £85 million following an outflow now put at £155 million in the third quarter. Increases in external sterling claims other than for export credit (representing overseas borrowing of sterling from United Kingdom banks) accounted for only about £15 million compared with over £110 million in the preceding quarter.

Official reserves

After public sector borrowing of £306 million in overseas currencies under the exchange cover scheme there was a net currency inflow in the quarter of £22 million; this was added to the official reserves.

Year 1973

Visible trade

In 1973 there was a deficit on visible trade of £2,375 million compared with a deficit of £677 million in 1972. About four-fifths of the deterioration in the deficit reflected the worsening of 12 per cent in the terms of trade. Import unit values rose by 28 per cent largely because of higher commodity prices and the depreciation of sterling while export unit values were 13 per cent higher. In volume terms there was an increase in imports of 14 per cent and in exports of 12 per cent.

The value of exports in 1973 was 25 per cent higher than in the previous year. There was an increase in deliveries of 34 per cent to Western Europe (with exports to the EEC 37 per cent higher) and of 21 per cent to North America. Exports to the Sterling area outside Europe rose by 18 per cent and those to all other markets in aggregate by 28 per cent.

In 1973 imports were 41 per cent higher in value than in 1972. Among finished manufactures, which increased by 48 per cent, there was an increase of 51 per cent in imports of machinery and 37 per cent in the imports of transport equipment. Within industrial materials which increased in total by 45 per cent there were increases of 48 per cent in basic materials, 38 per cent in chemicals and 46 per cent in other semi-manufactures. Imports of food, beverages and tobacco were 31 per cent higher than in 1972.

Invisibles

The net surplus on invisibles is provisionally estimated at £907 million, an increase of around £160 million on the surplus in 1972. Substantial increases in net earnings in the form of interest, profit and dividends and on other services more than covered increases in the net deficits on government services and transfers and on private transfers.

The net deficit on government services and transfers, at £772 million, was £211 million higher than in 1972. Of this increased deficit, £96 million was attributable to the net effect of current transfers to and from the EEC, with United Kingdom contributions totalling £171 million and receipts £75 million. A further £81 million increase in the deficit arose mainly from adverse changes in exchange rates which increased administrative and diplomatic expenditure overseas and military expenditure, particularly in Germany.

The net surplus on interest, profits and dividends is estimated to have risen by about £285 million between 1972 and 1973, with credits increasing by around £595 million and debits by £310 million. The first estimates for the year 1973 indicate substantial increases in the earnings from United Kingdom direct investment overseas. These rises were associated with increased profitability (including realised stock appreciation) and the depreciation of sterling over the year. The overseas earnings of United Kingdom oil companies also improved. Increases in earnings on United Kingdom portfolio investment overseas were, however, matched by similar rises in interest and dividend payments to non-residents on their portfolio investments in the United Kingdom. Higher interest rates led to increases in other credits and debits, but these components also included a small amount for interest charges on the increased foreign currency borrowing of the public sector. The debits in respect of foreign companies' earnings on direct investment in the United Kingdom were somewhat depressed in the latter part of the year largely reflecting the situation in the motor industry.

The net deficit on sea transport, at £60 million, was only slightly higher than in the previous year. Both credits and debits increased by about 25 per cent between 1972 and 1973, reflecting the cumulative effect of price increases and exchange rate movements on freight rates, on charter receipts and payments, and on operating costs, such as bunkering. There was also an increased growth in world seaborne trade. For most of the year, the United Kingdom fleet and ships chartered-in by United Kingdom shipping companies were fully occupied but the oil shortages in the fourth quarter caused operating difficulties for both tankers and dry cargo shipping. The estimated net balance on civil aviation for the year as a whole was, at £68 million, some £4 million higher than in the previous year, total debits increasing by almost 20 per cent and credits by 17 per cent.

The net surplus on travel is estimated at £25 million for 1973, that is, at much the same level as in 1972, though both credits and debits increased significantly. The increase in debits was partly due to the adverse effect of changes in exchange rates on the cost of travel abroad for UK residents. There was an easing back in the numbers of North American visitors to the United Kingdom in the year but there have been more visitors from Western Europe and other areas.

Other services continued to show a very substantial surplus; in 1973 the net credit was nearly £1,000 million,

some £120 million more than in 1972. Of the financial and allied services, banking, merchanting and brokerage increased their net earnings but insurance earnings fell, mainly because of increased competition and higher claims. Expenditure of foreign military forces in the United Kingdom fell. Debits and credits in respect of non-monetary gold both rose, reflecting increases in the price of gold.

The deficit on private transfers increased to £111 million in 1973.

Capital transfers

During the year payments totalling £59 million were made in implementation of the guarantee clauses of the Sterling Agreements. The compensation payable under the Agreements of 1968, as renewed in 1971, was virtually completed by the end of the year.

Investment and other capital flows

Following the devaluation of the United States dollar on February 12 sterling appreciated against the dollar and at the end of June the middle closing spot rate was £1=$2.5820. During the second half-year however sterling depreciated and at the end of December the rate was £1=$2.3235. The average of the daily closing middle market rates in the year was £1=$2.4526. The mean effective depreciation of sterling since the Smithsonian Agreement in December 1971 was 14½ per cent in 1973 compared with 5 per cent in 1972.

The net outflow of identified investment and other capital of over £750 million in 1972 was followed by a net inflow of some £1,265 million in 1973. This inflow included public sector overseas currency borrowing of about £1,100 million, mainly under the exchange cover scheme re-introduced in March 1973.

The net outflow of *official long-term capital* of £254 million was almost the same as in 1972. Included in the total are the United Kingdom's first contributions to the European Investment Bank and the European Coal and Steel Community. Detailed net figures are given in the table below.

£ million

	1972	1973
Aid lending (net)	—89	—76
IDA subscription	—48	—52
North American loan repayments	—49	—51
Export-Import Bank credit repayments	—58	—38
Contributions to European Communities' institutions	—	—31
Other	—12	— 6
Total	—256	—254

Overseas investment in the United Kingdom public sector totalled £301 million in 1973 compared with £113 million in 1972, reflecting the re-introduction in March 1973 of the exchange cover scheme. Total borrowing directly from overseas under this scheme amounted to £178 million during the year.

Overseas investment in the United Kingdom private sector increased significantly in 1973 to £1,365 million, largely because of a recovery in inward direct investment and in oil investment from the exceptionally low 1972 level. Direct investment, at around £580 million, was some £240 million higher than in the previous year, partly reflecting acquisitions of United Kingdom companies by foreign companies. Re-invested profits, however, were slightly higher than in 1972. Portfolio investment, at £239 million, was over £80 million higher than in 1972; there was a small fall in the total of foreign currency issues by United Kingdom companies during the year, but overseas investment in United Kingdom equities returned to its 1971 level of around £100 million. The net inflow on other forms of investment (oil and miscellaneous) increased by over £300 million, partly reflecting increases in funds held in the United Kingdom. Direct borrowing abroad from banks, etc., to finance United Kingdom private sector investment at home and overseas, also rose.

United Kingdom private investment overseas, at £1,253 million, was somewhat lower than in 1972. There was a very sharp rise in direct investment which includes a substantial element of re-invested profits and also a number of large acquisitions of foreign companies by United Kingdom companies. However, the very substantial portfolio investment outflows in 1972, which were largely financed by foreign currency borrowing, were not repeated in 1973 and, during part of the year, unfavourable conditions for investment in the United States market resulted in some net disinvestment. Because of substantial disinvestment overseas by the United Kingdom oil companies, notably the sale to Japan of assets in Abu Dhabi, total oil and miscellaneous investment rose by less than £15 million during the year.

Overseas currency borrowing or lending (net) by United Kingdom banks resulted in a net inflow of over £1,200 million; there were substantial increases in both borrowing and lending during the year. Borrowing to finance United Kingdom investment overseas, although some £250 million lower than the exceptional level of 1972, was again high at about £470 million, the bulk of the net borrowing being for direct investment in non-sterling areas which increased steadily during 1973. Borrowing to finance lending to the United Kingdom public sector was stimulated by the re-introduction in the 1973 Budget of the exchange cover scheme. Borrowing under this arrangement, mainly by public corporations but including also nearly £100 million by local authorities, accounted for all but £7 million of the total borrowing during the year of £831 million. Other borrowing or lending (net) by the banking system resulted in an outflow of £84 million.

Exchange reserves in sterling, both in the form of British government stocks and in banking and money market liabilities, rose by nearly £140 million in the year, a large fall in the third quarter prior to the expiry of the Sterling Agreements in September being more than offset by increases in the other quarters. At the end of December exchange reserves in sterling held by central monetary institutions of overseas sterling countries, excluding the Irish Republic, amounted to £2,765 million.* *Other external banking and money market liabilities in sterling* fell by £30 million.

*The Sterling Agreements of 1968, as renewed in 1971, expired on 24 September 1973 but certain official sterling reserves would continue to be guaranteed until end-December 1974. The amount eligible for guarantee will not be known until after December 1974.

Provisional estimates indicate that net 'unrelated' *import credit* increased by almost £170 million after allowance for advance and progress payments; identified long-term credit on ships and aircraft increased by almost £90 million while other import credit increased by over £80 million. Net 'unrelated' *export credit* extended is provisionally estimated to have increased by some £155 million, about £140 million less than the increase recorded in 1972. Net credit extended by United Kingdom banks increased by about £215 million in the year, some £50 million less than the increase in 1972.

There was a net outflow estimated at about £230 million from *other short-term flows* compared with about £450 million in 1972. Just over half the outflow, which occurred mainly in the second half of the year, represented the net overseas borrowing of sterling from United Kingdom banks for purposes other than for financing United Kingdom exports. This borrowing is estimated at about £125 million compared with over £310 million in the previous year. Miscellaneous short-term commercial transactions resulted in an outflow of some £90 million, compared with £60 million in 1972.

The *balancing item* was positive, at about £475 million, representing errors and omissions including unidentified capital inflows such as leads and lags in commercial payments. It followed a negative balancing item in 1972.

Official reserves

After public sector borrowing of £1,003 million in overseas currencies under the exchange cover scheme there was a net currency inflow in the year of £210 million; this was added to the official reserves.

Area analysis †

The current account deficit in 1973 of £1,468 mililon, represents the difference between a surplus estimated at £887 million with overseas sterling countries and a deficit of £2,355 million with the rest of the world. Within the current account, the visible balance with overseas sterling countries was in deficit by £174 million, a turnround of some £300 million following the surplus in 1972, attributable in equal parts to lower exports and to higher imports. The deficit on visible trade with the rest of the world rose from some £800 million in 1972 to about £2,200 million in 1973, an increase of about £2,450 million in the value of exports being more than offset by a rise of £3,850 million in the cost of imports.

Between 1972 and 1973 the surplus on the invisible account with overseas sterling countries increased by nearly £350 million, including an improvement of nearly £250 million in net receipts from interest, profits and dividends. The balance on invisibles with the rest of the world however moved into deficit, the adverse balance on government services and transfers increasing by nearly £200 million, largely arising from net current transfers to and from the EEC and from increased military expenditure overseas; this was only partly offset by a small net improvement in other invisible account transactions.

There was a net outflow in 1973 on identified investment and other capital transactions (including capital transfers) with overseas sterling countries of nearly £950 million, almost the same as in 1972. There was however some change in the pattern, with a net outflow in exchange reserves in sterling of about £30 million (compared with a net inflow of some £330 million in 1972) and a small net inflow on miscellaneous short-term transactions (compared with an outflow of about £200 million in the preceding year).

Identified investment and other capital transactions with the rest of the world resulted in a net inflow of over £2,150 million, nearly £2,000 million higher than in 1972. Of this total inflow, over £1,700 million was attributable to overseas currency borrowing by United Kingdom banks, including substantial amounts subsequently on-lent to the United Kingdom public sector and to borrowers in overseas sterling countries. There was also a net inflow of nearly £270 million in investment in the United Kingdom public sector (compared with about £40 million invested in 1972), whilst investment in the United Kingdom private sector by the rest of the world at £1,330 million also showed a large increase. Compared with 1972, however, United Kingdom private investment overseas other than in overseas sterling countries showed a fall of some £170 million to about £1,050 million.

Revisions

Revisions to previous figures have resulted from later and more complete information becoming available. There have been minor additions to the net surplus on the other services account within invisibles in 1969, 1970 and 1971. In 1972 the visible trade deficit has been revised downwards by £8 million in the light of later information on the value of imports. The surplus on invisibles has also been reduced by a total of £22 million consequent on later and fuller information on government transactions and on insurance and royalties in the Other services account. The outflow on investment and other capital transactions is now estimated at £29 million lower than previously, mainly due to a downward revision of £22 million to the figures for portfolio investment overseas. In consequence the negative balancing item is increased by £15 million to £577 million.

There have also been a number of revisions to previously published estimates for the first three quarters of 1973. Within the invisibles account earnings from interest, profits and dividends have been revised upwards (and payments revised downwards) in the light of later information available on direct investments earnings. On the other hand, other net receipts under this heading have been revised downwards as a result of later information on earnings from oil and other investment overseas. There have also been revisions to other components of the invisibles account, including upward revisions to travel earnings and to payments for freight on imports (included in the sea transport account) and, in the third

†In this analysis the Irish Republic is included, with other members of the European Economic Communities, in the rest of the world as from the beginning of 1973 instead of with other overseas sterling countries as previously and this needs to be remembered when comparisons are made with earlier periods.

quarter, more complete estimates of overseas aid. The net effect of these revisions is to reduce the invisibles surplus, before seasonal adjustment, by £14 million and £2 million in the first and second quarters respectively and to increase the surplus by £9 million in the third quarter.

The latest information on direct investment flows has resulted in upward revisions to previous estimates for the earlier quarters of 1973, particularly in the third quarter. Portfolio investment overseas has also been revised upwards for the second and third quarters but downwards for the first quarter. There have been substantial increases in previously published estimates of overseas investment in the United Kingdom private sector in 1973, particularly in oil and other investment for the third quarter. There have also been a number of smaller revisions to other types of investment and capital flows following the receipt of later information. The net effect is to increase the identified net inflow of investment and other capital transactions in the first quarter by £44 million, to reduce the net inflow in the second quarter by £20 million and to increase the net outflow in the third quarter by £88 million. As a consequence of these revisions, the positive balancing item in the first three quarters, taken as a whole, is increased by £71 million to £526 million.

Central Statistical Office

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APPENDIX

United Kingdom balance of payments

Summary

TABLE 1 — £ million

	Seasonally adjusted			Not seasonally adjusted								
	Current account			Currency flow and official financing								
											Financed as follows	
	Visible trade	Invisibles	Current balance	Current balance	Capital transfers	Investment and other capital flows	Balancing item	Total currency flow	Allocation of SDR and gold subscription to IMF	Total (1)	Net transactions with overseas monetary authorities (2)	Official reserves (2) (3)
1962 1st quarter ..	— 24	+ 53	+ 29	+ 38	—	+ 23	+ 76	+137	—	+137	— 89	— 48
2nd quarter ..	— 11	+ 59	+ 48	+ 77	—	+ 41	— 34	+ 84	—	+ 84	— 91	+ 7
3rd quarter ..	— 43	+ 55	+ 12	— 9	—	—101	+ 74	— 36	—	— 36	—193	+229
4th quarter ..	— 24	+ 57	+ 33	+ 16	—	+ 34	— 43	+ 7	—	+ 7	— 2	— 5
1963 1st quarter ..	+ 4	+ 50	+ 54	+ 91	—	—176	— 1	— 86	—	— 86	+ 89	— 3
2nd quarter ..	— 8	+ 43	+ 35	+ 62	—	+ 64	— 76	+ 50	—	+ 50	— 86	+ 36
3rd quarter ..	— 24	+ 50	+ 26	— 28	—	+ 2	+ 32	+ 6	—	+ 6	+ 2	— 8
4th quarter ..	— 52	+ 61	+ 9	— 1	—	+ 11	— 38	— 28	—	— 28	—	+ 28
1964 1st quarter ..	—132	+ 50	— 82	— 51	—	+ 7	+ 45	+ 1	—	+ 1	—	— 1
2nd quarter ..	— 93	+ 29	— 64	— 65	—	+ 72	+ 5	+ 12	—	+ 12	+ 4	— 16
3rd quarter ..	—143	+ 31	—112	—180	—	+ 70	— 16	—126	—	—126	+ 67	+ 59
4th quarter ..	—151	+ 27	—124	— 86	—	—450	— 46	—582	—	—582	+502	+ 80
1965 1st quarter ..	— 40	+ 40	—	— 22	—	—133	— 11	—166	—	—166	+171	— 5
2nd quarter ..	— 84	+ 41	— 43	— 2	—	—212	+ 48	—166	—	—166	+331	—165
3rd quarter ..	— 64	+ 50	— 14	— 75	—	— 77	— 44	—196	—	—196	+183	+ 13
4th quarter ..	— 49	+ 57	+ 8	+ 50	—	+ 96	+ 29	+175	—	+175	— 86	— 89
1966 1st quarter ..	— 72	+ 29	— 43	— 15	—	+ 44	+ 19	+ 48	—44	+ 4	+199(4)	—203
2nd quarter ..	— 70	+ 41	— 29	— 31	—	—106	— 26	—163	—	—163	+ 57	+106
3rd quarter ..	— 43	+ 32	— 11	— 79	—	—456	+ 47	—488	—	—488	+447	+ 41
4th quarter ..	+112	+ 55	+167	+209	—	— 60	— 93	+ 56	—	+ 56	— 78	+ 22
1967 1st quarter ..	— 40	+ 59	+ 19	+ 8	—	+347	+154	+509	—	+509	—452	— 57
2nd quarter ..	— 91	+ 20	— 71	— 49	—	— 80	+117	— 12	—	— 12	—140	+152
3rd quarter ..	— 96	+ 65	— 31	— 55	—	—363	— 88	—506	—	—506	+470	+ 36
4th quarter ..	—330	+ 97	—233	—220	—	—504(5)	+ 62	—662	—	—662	+678(4)	— 16
1968 1st quarter ..	—167	+ 75	— 92	—143	—	—264(5)	—112	—519	—	—519	+530	— 11
2nd quarter ..	—216	+114	—102	— 59	—	—453(5)	— 9	—521	—	—521	+505	+ 16
3rd quarter ..	—153	+116	— 37	— 61	—	+ 39(5)	— 2	— 24	—	— 24	+ 38	— 14
4th quarter ..	—123	+ 70	— 53	— 21	—	—329(5)	+ 4	—346	—	—346	+223	+123
1969 1st quarter ..	—129	+148	+ 19	— 26	—	+ 48	+250	+272	—	+272	—252	— 20
2nd quarter ..	— 48	+144	+ 96	+158	—	— 45	— 31	+ 82	—	+ 82	— 93	+ 11
3rd quarter ..	+ 34	+131	+165	+149	—	— 59	—137	— 47	—	— 47	+ 43	+ 4
4th quarter ..	—	+171	+171	+170	—	— 53	+319	+436	—	+436	—397	— 39
1970 1st quarter ..	+ 59	+197	+256	+234	—	+464	+217	+915	+171	+1,086	—1,010	— 76
2nd quarter ..	— 46	+183	+137	+163	—	+125	— 61	+227	—	+227	—193	— 34
3rd quarter ..	— 77	+162	+ 85	+ 70	—	—158	—114	—202	—	—202	+150	+ 52
4th quarter ..	+ 55	+164	+219	+230	—	+ 48	+ 69	+347	— 38	+309	—242	— 67
1971 1st quarter ..	— 52	+199	+147	+ 66	—	+649	+258	+973	+125	+1,098	—894	—204
2nd quarter ..	+105	+185	+290	+348	—	+343	— 57	+634	—	+634	—508	—126
3rd quarter ..	+172	+209	+381	+371	—	+456	—159	+668	—	+668	— 92	—576
4th quarter ..	+ 60	+189	+249	+282	—	+415	+256	+953	—	+953	—323	—630
1972 1st quarter ..	—121	+192	+ 71	— 25	—	— 1	+ 83	+ 57	+124	+181	+ 10	—191
2nd quarter ..	— 64	+176	+112	+180	—	—834	—391	—1,045	—	—1,045	+999	+ 46
3rd quarter ..	—284	+168	—116	—155	—	— 65	+141	— 79	—	— 79	—560	+639
4th quarter ..	—208	+210	+ 2	+ 69	—	+143	—410	—198	—	—198	—	+198
1973 1st quarter ..	—351	+165	—186	—363	—38	+115	+355	+ 69	—	+ 69	—	— 69
2nd quarter ..	—399	+203	—196	—185	—19	+635	— 54	+377	—	+377	—	—377
3rd quarter ..	—606	+249	—357	—326	— 1	—156	+225	—258	—	—258	—	+258
4th quarter ..	—1,019	+290	—729	—594	— 1	+670	— 53	+ 22	—	+ 22	—	— 22

(1) Consists of total currency flow, allocation of SDR and gold subscription to IMF.
(2) From July 1972, transactions with the IMF affecting the United Kingdom reserve position in the Fund are included as changes in the official reserves.
(3) Drawings on, +/ additions to, —. From 23 August 1971, valued in sterling at transactions rates of exchange (see notes on page 78 of the 1973 issue of the Pink Book).
(4) Includes transfer of dollar portfolio to reserves. See Table 16.
(5) Includes EEA loss on forward commitments. See Table 4.

Current account

TABLE 2

£ million

	Exports (f.o.b.)	Imports (f.o.b.)	Visible balance	Government(1)			Transport						Travel		
							Sea transport			Civil aviation					
				Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Net
1968 ..	6,274	6,933	—659	44	510	—466	1,053	1,018	+35	235	206	+29	282	271	+11
1969 ..	7,063	7,206	—143	48	515	—467	1,051	1,082	—31	287	246	+41	359	324	+35
1970 ..	7,893	7,902	— 9	51	537	—486	1,361	1,436	—75	316	279	+37	432	382	+50
1971 ..	8,796	8,511	+285	59	585	—526	1,609	1,668	—59	354	309	+45	489	437	+52
1972 ..	9,134	9,811	—677	75	636	—561	1,645	1,699	—54	410	346	+64	551	529	+22
1973 ..	11,435	13,810	—2,375	140	912	—772	2,072	2,132	—60	481	413	+68	694	669	+25
Unadjusted															
1971 1st qtr	1,972	2,113	—141	22	148	—126	392	432	—40	61	61	—	62	51	+11
2nd qtr	2,308	2,176	+132	9	136	—127	399	423	—24	89	73	+16	123	107	+16
3rd qtr	2,194	2,042	+152	15	154	—139	399	397	+ 2	124	98	+26	201	205	— 4
4th qtr	2,322	2,180	+142	13	147	—134	419	416	+ 3	80	77	+ 3	103	74	+29
1972 1st qtr	2,170	2,379	—209	26	178	—152	392	414	—22	73	70	+ 3	80	71	+ 9
2nd qtr	2,385	2,413	— 28	15	145	—130	396	411	—15	103	82	+21	129	122	+ 7
3rd qtr	1,902	2,233	—331	13	158	—145	414	417	— 3	142	107	+35	213	241	—28
4th qtr	2,677	2,786	—109	21	155	—134	443	457	—14	92	87	+ 5	129	95	+34
1973 1st qtr	2,626	3,156	—530	27	213	—186	449	481	—32	82	84	— 2	98	91	+ 7
2nd qtr	2,854	3,235	—381	21	233	—212	481	507	—26	124	102	+22	158	161	— 3
3rd qtr	2,787	3,381	—594	46	234	—188	529	538	— 9	162	122	+40	268	297	—29
4th qtr	3,168	4,038	—870	46	232	—186	613	606	+ 7	113	105	+ 8	170	120	+50
Seasonally adjusted															
1971 1st qtr	2,007	2,059	— 52	14	133	—119	400	427	—27	82	72	+10	114	110	+ 4
2nd qtr	2,260	2,155	+105	14	144	—130	410	434	—24	87	74	+13	118	107	+11
3rd qtr	2,286	2,114	+172	18	156	—138	398	407	— 9	92	79	+13	125	107	+18
4th qtr	2,243	2,183	+ 60	13	152	—139	401	400	+ 1	93	84	+ 9	132	113	+19
1972 1st qtr	2,177	2,298	—121	18	159	—141	399	409	—10	97	83	+14	140	132	+ 8
2nd qtr	2,293	2,357	— 64	16	155	—139	406	421	—15	101	83	+18	135	130	+ 5
3rd qtr	2,052	2,336	—284	20	162	—142	413	428	—15	105	87	+18	134	131	+ 3
4th qtr	2,612	2,820	—208	21	160	—139	427	441	—14	107	93	+14	142	136	+ 6
1973 1st qtr	2,633	2,984	—351	32	219	—187	457	475	—18	106	98	+ 8	154	150	+ 4
2nd qtr	2,794	3,193	—399	37	225	—188	493	520	—27	123	103	+20	166	161	+ 5
3rd qtr	2,984	3,590	—606	35	232	—197	531	551	—20	121	100	+21	184	176	+ 8
4th qtr	3,024	4,043	—1,019	36	236	—200	591	586	+ 5	131	112	+19	190	182	+ 8

(1) Services and transfer payments, see Table 9.

Current account

TABLE 2 (*continued*) — £ million

	Other services			Interest, profits and dividends			Private transfers			Total invisibles			All current transactions		
	Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Invisible balance	Credits	Debits	Current balance
1968 ..	914	428	+486	1,107	772	+335	171	226	—55	3,806	3,431	+375	10,080	10,364	—284
1969 ..	1,048	482	+566	1,338	839	+499	181	230	—49	4,312	3,718	+594	11,375	10,924	+451
1970 ..	1,207	508	+699	1,388	873	+515	192	226	—34	4,947	4,241	+706	12,840	12,143	+697
1971 ..	1,331	547	+784	1,471	955	+516	202	232	—30	5,515	4,733	+782	14,311	13,244	+1,067
1972 ..	1,478	604	+874	1,607	1,131	+476	211	286	—75	5,977	5,231	+746	15,111	15,042	+ 69
1973 ..	1,711	717	+994	2,204	1,441	+763	222	333	—111	7,524	6,617	+907	18,959	20,427	—1,468
Unadjusted															
1971 1st qtr	326	123	+203	374	215	+159	50	50	—	1,287	1,080	+207	3,259	3,193	+ 66
2nd qtr	331	139	+192	394	244	+150	50	57	— 7	1,395	1,179	+216	3,703	3,355	+348
3rd qtr	327	137	+190	357	207	+150	51	57	— 6	1,474	1,255	+219	3,668	3,297	+371
4th qtr	347	148	+199	346	289	+ 57	51	68	—17	1,359	1,219	+140	3,681	3,399	+282
1972 1st qtr	372	147	+225	380	246	+134	52	65	—13	1,375	1,191	+184	3,545	3,570	— 25
2nd qtr	360	145	+215	407	280	+127	52	69	—17	1,462	1,254	+208	3,847	3,667	+180
3rd qtr	358	153	+205	389	256	+133	53	74	—21	1,582	1,406	+176	3,484	3,639	—155
4th qtr	388	159	+229	431	349	+ 82	54	78	—24	1,558	1,380	+178	4,235	4,166	+ 69
1973 1st qtr	409	165	+244	493	333	+160	55	79	—24	1,613	1,446	+167	4,239	4,602	—363
2nd qtr	418	176	+242	548	347	+201	55	83	—28	1,805	1,609	+196	4,659	4,844	—185
3rd qtr	428	183	+245	562	328	+234	56	81	—25	2,051	1,783	+268	4,838	5,164	—326
4th qtr	456	193	+263	601	433	+168	56	90	—34	2,055	1,779	+276	5,223	5,817	—594
Seasonally adjusted															
1971 1st qtr	321	123	+198	375	242	+133	50	50	—	1,356	1,157	+199	3,363	3,216	+147
2nd qtr	330	139	+191	371	240	+131	50	57	— 7	1,380	1,195	+185	3,640	3,350	+290
3rd qtr	336	139	+197	367	233	+134	51	57	— 6	1,387	1,178	+209	3,673	3,292	+381
4th qtr	344	146	+198	358	240	+118	51	68	—17	1,392	1,203	+189	3,635	3,386	+249
1972 1st qtr	366	147	+219	382	267	+115	52	65	—13	1,454	1,262	+192	3,631	3,560	+ 71
2nd qtr	358	145	+213	389	278	+111	52	69	—17	1,457	1,281	+176	3,750	3,638	+112
3rd qtr	369	154	+215	396	286	+110	53	74	—21	1,490	1,322	+168	3,542	3,658	—116
4th qtr	385	158	+227	440	300	+140	54	78	—24	1,576	1,366	+210	4,188	4,186	+ 2
1973 1st qtr	402	165	+237	496	351	+145	55	79	—24	1,702	1,537	+165	4,335	4,521	—186
2nd qtr	416	176	+240	523	342	+181	55	83	—28	1,813	1,610	+203	4,607	4,803	—196
3rd qtr	440	185	+255	568	361	+207	56	81	—25	1,935	1,686	+249	4,919	5,276	—357
4th qtr	453	191	+262	617	387	+230	56	90	—34	2,074	1,784	+290	5,098	5,827	—729

Investment and other capital flows

Not seasonally adjusted

TABLE 3 — £ million

	Official long-term capital	Overseas investment in UK public sector (1)	Overseas investment in UK private sector	UK private investment overseas	Overseas currency borrowing or lending (net) by UK banks: Borrowing to finance UK investment overseas	Borrowing to finance lending to UK public sector (2)	Other borrowing or lending (net)	Exchange reserves in sterling (3): British government stocks	Exchange reserves in sterling (3): Banking and money market liabilities	Other external banking and money market liabilities in sterling	Import credit (4)	Export credit (4)	Other short-term flows	Total investment and other capital flows
1968 ..	+ 16	+ 16	+567	—727	+155	..	—170	— 22	—158	—128	+ 75	—321	— 59	— 756
1969 ..	— 99	—	+673	—679	+ 72	..	—110	+237	+ 77	— 53	+153	—325	— 55	— 109
1970 ..	—204	— 10	+725	—773	+180	..	+292	+ 63	+130	+266	+ 17	—261	+ 54	+ 479
1971 ..	—273	+179	+1,008	—875	+280	..	+219	+ 55	+658	+709	+ 77	—172	— 2	+1 863
1972 ..	—256	+113	+729	—1,450	+720	..	—249	+ 65	+222	— 91	+187	—296	—451	— 757
1973 ..	—254	+301	+1,365	—1,253	+470	+831	— 84	+ 74	+ 65	— 30	+166	—155	—232	+1,264
1971 1st qtr	— 45	+121	+320	—219	+ 45	..	+ 39	+ 57	+168	+ 60	+ 28	— 37	+112	+ 649
2nd qtr	— 44	+ 28	+276	—238	+120	..	+ 38	+ 36	+244	— 3	— 4	— 71	— 39	+ 343
3rd qtr	— 35	+ 5	+205	—190	+ 60	..	— 32	— 40	+137	+240	+ 30	+ 44	+ 32	+ 456
4th qtr	—149	+ 25	+207	—228	+ 55	..	+174	+ 2	+109	+412	+ 23	—108	—107	+ 415
1972 1st qtr	— 43	+ 64	+153	—340	+185	..	— 71	+ 70	+138	+ 3	+ 47	— 58	—149	— 1
2nd qtr	— 39	+ 20	+161	—358	+165	..	—297	— 8	+ 37	—167	+ 22	—118	—252	— 834
3rd qtr	— 17	+ 22	+234	—355	+195	..	+ 4	— 35	— 52	— 5	+ 15	— 12	— 59	— 65
4th qtr	—157	+ 7	+181	—397	+175	..	+115	+ 38	+ 99	+ 78	+103	—108	+ 9	+ 143
1973 1st qtr	— 56	+ 44	+288	—340	+175	+ 39	—191	+ 18	+183	— 37	+ 29	— 88	+ 51	+ 115
2nd qtr	— 31	+ 68	+352	—283	+ 65	+234	+ 47	+ 92	— 3	+ 79	+ 43	+ 16	— 44	+ 635
3rd qtr	— 25	+ 37	+332	—235	+ 65	+347	— 52	— 38	—308	— 74	— 7	— 43	—155	— 156
4th qtr	—142	+152	+393	—395	+165	+211	+112	+ 2	+193	+ 2	+101	— 40	— 84	+ 670

(1) Excluding investment in British government stocks by central monetary institutions and international organisations.
(2) Prior to 1973 borrowing of this type was not separately distinguished but was probably small.
(3) Sterling reserves of overseas countries and international organisations (other than the IMF) as reported by banks, etc. in the UK.
(4) Excluding trade credit between 'related' firms; after deducting advance and progress payments to suppliers.

Analysis of total currency flow and official financing

Not seasonally adjusted

TABLE 4 — £ million

	Currency flow: Current balance	Capital transfers	Investment and other capital flows	Balancing item	EEA loss on forward commitments	Total currency flow	Allocation of Special Drawing Rights	Gold subscription to IMF	Total (1)	Official financing: Net transactions with overseas monetary authorities: IMF (2)	Net transactions with overseas monetary authorities: Other monetary authorities	Drawings on(+)/additions to (—) official reserves (2) (3)	Total official financing
1968	— 284	—	— 756	—119	—251	—1,410	—	—	—1,410	+506	+ 790	+ 114	+1,410
1969	+ 451	—	— 109	+401	—	+ 743	—	—	+ 743	— 30	— 669	— 44	— 743
1970	+ 697	—	+ 479	+111	—	+1,287	+171	—38	+1,420	—134	—1,161	— 125	—1,420
1971	+1,067	—	+1,863	+298	—	+3,228	+125	—	+3,353	—554	—1,263	—1,536	—3,353
1972	+ 69	—	— 757	—577	—	—1,265	+124	—	—1,141	—415	+ 864	+ 692	+1,141
1973	—1,468	—59	+1,264	+473	—	+ 210	—	—	+ 210	—	—	— 210	— 210
1971 1st qtr ..	+ 66	—	+ 649	+258	—	+ 973	+125	—	+1,098	—287	— 607	— 204	—1,098
2nd qtr ..	+ 348	—	+ 343	— 57	—	+ 634	—	—	+ 634	— 8	— 500	— 126	— 634
3rd qtr ..	+ 371	—	+ 456	—159	—	+ 668	—	—	+ 668	—259	+ 167	— 576	— 668
4th qtr ..	+ 282	—	+ 415	+256	—	+ 953	—	—	+ 953	—	— 323	— 630	— 953
1972 1st qtr ..	— 25	—	— 1	+ 83	—	+ 57	+124	—	+ 181	— 10	+ 20	— 191	— 181
2nd qtr ..	+ 180	—	— 834	—391	—	—1,045	—	—	—1,045	—405	+1,404	+ 46	+1,045
3rd qtr ..	— 155	—	— 65	+141	—	— 79	—	—	— 79	—	— 560	+ 639	+ 79
4th qtr ..	+ 69	—	+ 143	—410	—	— 198	—	—	— 198	—	—	+ 198	+ 198
1973 1st qtr ..	— 363	—38	+ 115	+355	—	+ 69	—	—	+ 69	—	—	— 69	— 69
2nd qtr ..	— 185	—19	+ 635	— 54	—	+ 377	—	—	+ 377	—	—	— 377	— 377
3rd qtr ..	— 326	— 1	— 156	+225	—	— 258	—	—	— 258	—	—	+ 258	+ 258
4th qtr ..	— 594	— 1	+ 670	— 53	—	+ 22	—	—	+ 22	—	—	— 22	— 22

(1) Consists of total currency flow, allocation of SDR and gold subscription to IMF.
(2) From July 1972, transactions with the IMF affecting the United Kingdom reserve position in the Fund are included as changes in the official reserves.
(3) From 23 August 1971, valued in sterling at transactions rates of exchange (see notes on page 78 of the 1973 issue of the Pink Book). Therefore, from the third quarter of 1971, the sterling valuation of the flow does not equal the difference between the opening and closing levels shown in Table 22.

United Kingdom balance of payments with overseas sterling countries(1)

Not seasonally adjusted

TABLE 5

£ million

	Current account					Investment and other capital flows (2)						
	Exports (f.o.b.)	Imports (f.o.b.)	Visible balance	Invisible balance	Current balance	Official long-term capital, investment in and by UK	UK banks' net external liabilities/assets in overseas currencies	Exchange reserves in sterling	Other external banking and money market liabilities in sterling	Other capital flows (3)	Total	Balancing item
1968	1,827	1,950	—123	+332	+209	—391	+124	— 84	— 17	— 28	—396	+187
1969	2,028	2,059	— 31	+422	+391	—420	+124	+311	— 48	— 25	— 58	—333
1970	2,259	2,104	+155	+563	+718	—346	—162	+183	+175	— 44	—194	—524
1971	2,582	2,240	+342	+565	+907	— 75	—1,004	+506	+369	—128	—332	—575
1972	2,339	2,211	+128	+719	+847	—225	—688	+329	—161	—201	—946	+ 99
1973	2,186	2,360	—174	+1,061	+887	—207	—496	— 29	—231	+ 15(4)	—948(4)	+ 61
1971 1st quarter ..	604	545	+ 59	+140	+199	— 30	—155	+217	+ 60	+ 23	+115	—314
2nd quarter ..	666	591	+ 75	+150	+225	— 6	—163	+218	+ 3	—135	— 83	—142
3rd quarter ..	631	553	+ 78	+146	+224	— 10	—305	+ 77	+102	+ 61	— 75	—149
4th quarter ..	681	551	+130	+129	+259	— 29	—381	— 6	+204	— 77	—289	+ 30
1972 1st quarter ..	569	558	+ 11	+145	+156	— 70	—237	+151	— 6	—101	—263	+107
2nd quarter ..	609	564	+ 45	+194	+239	—108	— 33	+ 39	— 55	—117	—274	+ 35
3rd quarter ..	445	499	— 54	+182	+128	— 4	— 25	+ 13	— 9	+ 20	— 5	—123
4th quarter ..	716	590	+126	+198	+324	— 43	—393	+126	— 91	— 3	—404	+ 80
1973 1st quarter ..	508	576	— 68	+197	+129	— 41	+288	+210	— 40	— 7(4)	+410(4)	—539
2nd quarter ..	553	570	— 17	+266	+249	— 82	—211	— 25	— 43	+ 26(4)	—335(4)	+ 86
3rd quarter ..	542	557	— 15	+315	+300	— 43	— 4	—288	— 40	— 35(4)	—410(4)	+110
4th quarter ..	583	657	— 74	+283	+209	— 41	—569	+ 74	—108	+ 31(4)	—613(4)	+404

(1) Includes Libya up to the end of 1971, and Irish Republic up to the end of 1972; thereafter they are included with the rest of the world.
(2) Assets: increase—/decrease+. Liabilities: increase+/decrease—.
(3) Including trade credit between 'unrelated' companies.
(4) Including capital transfers.

United Kingdom balance of payments with the rest of the world

Not seasonally adjusted

TABLE 6

£ million

	Current account					Investment and other capital flows (1)							
	Exports (f.o.b.)	Imports (f.o.b.)	Visible balance	Invisible balance	Current balance	Official long-term capital, investment in and by UK	UK banks' net external liabilities/assets in overseas currencies	Exchange reserves in sterling	Other external banking and money market liabilities in sterling	Other capital flows (2)	Total	Balancing item	Total currency flow
1968	4,447	4,983	—536	+ 43	—493	+263	—139	— 96	—111	—528(3)	—611(3)	—306	—1,410
1969	5,035	5,147	—112	+172	+ 60	+315	—162	+ 3	— 5	—202	— 51	+734	+743
1970	5,634	5,798	—164	+143	— 21	+ 84	+634	+ 10	+ 91	—146	+673	+635	+1,287
1971	6,214	6,271	— 57	+217	+160	+114	+1,503	+207	+340	+ 31	+2,195	+873	+3,228
1972	6,795	7,600	—805	+ 27	—778	—639	+1,159	— 42	+ 70	—359	+189	—676	—1,265
1973	9,249	11,450	—2,201	—154	—2,355	+366	+1,713	+168	+201	—295(4)	+2,153(4)	+412	+210
1971 1st quarter	1,368	1,568	—200	+ 67	—133	+207	+239	+ 8	—	+ 80	+534	+572	+973
2nd quarter	1,642	1,585	+ 57	+ 66	+123	+ 28	+321	+ 62	— 6	+ 21	+426	+ 85	+634
3rd quarter	1,563	1,489	+ 74	+ 73	+147	— 5	+333	+ 20	+138	+ 45	+531	— 10	+668
4th quarter	1,641	1,629	+ 12	+ 11	+ 23	—116	+610	+117	+208	—115	+704	+226	+953
1972 1st quarter	1,601	1,821	—220	+ 39	—181	— 96	+351	+ 57	+ 9	— 59	+262	— 24	+ 57
2nd quarter	1,776	1,849	— 73	+ 14	— 59	—108	— 99	— 10	—112	—231	—560	—426	—1,045
3rd quarter	1,457	1,734	—277	— 6	—283	—112	+224	—100	+ 4	— 76	— 60	+264	— 79
4th quarter	1,961	2,196	—235	— 20	—255	—323	+683	+ 11	+169	+ 7	+547	—490	—198
1973 1st quarter	2,118	2,580	—462	— 30	—492	— 23	—265	— 9	+ 3	— 39(4)	—333(4)	+894	+ 69
2nd quarter	2,301	2,665	—364	— 70	—434	+188	+557	+114	+122	— 30(4)	+951(4)	—140	+377
3rd quarter	2,245	2,824	—579	— 47	—626	+152	+364	— 58	— 34	—171(4)	+253(4)	+115	—258
4th quarter	2,585	3,381	—796	— 7	—803	+ 49	+1,057	+121	+110	— 55(4)	+1,282(4)	—457	+ 22

(1) Assets: increase—/decrease+. Liabilities: increase+/decrease—.
(2) Including trade credit between 'unrelated' companies.
(3) Including EEA loss on forward commitments. See Table 4.
(4) Including capital transfers.

Summary balance of payments

TABLE 7

£ million

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Exports (f.o.b.)	4,282	4,486	4,817	5,184	5,124	6,274	7,063	7,893	8,796	9,134	11,435
Imports (f.o.b.)	4,362	5,005	5,054	5,257	5,681	6,933	7,206	7,902	8,511	9,811	13,810
Visible balance	— 80	—519	—237	— 73	—557	—659	—143	— 9	+285	—677	—2,375
Invisible credits											
Services—government	40	45	46	42	36	44	48	51	59	75	65
private (1)	1,487	1,588	1,698	1,817	2,085	2,484	2,745	3,316	3,783	4,084	4,958
Interest, profits and dividends											
public sector	37	43	45	55	57	38	39	65	100	167	158
private sector	805	845	947	907	920	1,069	1,299	1,323	1,371	1,440	2,046
Transfers—government	—	—	—	—	—	—	—	—	—	—	75
private	113	125	135	135	143	171	181	192	202	211	222
Total	2,482	2,646	2,871	2,956	3,241	3,806	4,312	4,947	5,515	5,977	7,524
Invisible debits											
Services—government	290	314	316	332	311	331	338	365	385	434	515
private (1)	1,294	1,402	1,491	1,555	1,716	1,923	2,134	2,605	2,961	3,178	3,931
Interest, profits and dividends											
public sector	170	162	179	214	229	274	373	327	299	314	377
private sector	274	333	378	361	369	498	466	546	656	817	1,064
Transfers—government	132	163	177	180	188	179	177	172	200	202	397
private	118	135	142	157	187	226	230	226	232	286	333
Total	2,278	2,509	2,683	2,799	3,000	3,431	3,718	4,241	4,733	5,231	6,617
Invisible balance	+204	+137	+188	+157	+241	+375	+594	+706	+782	+746	+907
CURRENT BALANCE	+124	—382	— 49	+ 84	—316	—284	+451	+697	+1,067	+ 69	—1,468
Capital transfers	—	—	—	—	—	—	—	—	—	—	— 59
Investment and other capital flows(2)											
Official long-term capital	—105	—116	— 85	— 81	— 59	+ 16	— 99	—204	—273	—256	—254
Overseas investment in UK public sector	+ 41	+ 15	— 12	+ 35	+ 54	+ 16	—	— 10	+179	+113	+301
Overseas investment in UK private sector	+229	+143	+238	+264	+360	+567	+673	+725	+1,008	+729	+1,365
UK private investment overseas	—320	—399	—368	—303	—456	—727	—679	—773	—875	—1,450	—1,253
Overseas currency borrowing or lending (net) by UK banks											
Borrowing to finance UK investment overseas	+ 5	+ 15	+ 45	+ 15	+ 55	+155	+ 72	+180	+280	+720	+470
Borrowing to finance lending to UK public sector	..	..	..	..	..	..	..	..	..	..	+831
Other borrowing or lending (net)	— 16	+146	— 67	—207	— 19	—170	—110	+292	+219	—249	— 84
Exchange reserves in sterling											
British government stocks	— 33	+ 52	— 46	— 51	— 40	— 22	+237	+ 63	+ 55	+ 65	+ 74
Banking and money market liabilities	+154	— 73	—104	+ 22	—148	—158	+ 77	+130	+658	+222	+ 65
Other external banking and money market liabilities in sterling	+111	+ 42	+ 52	— 72	— 96	—128	— 53	+266	+709	— 91	— 30
Import credit	+ 26	+ 2	+ 6	— 6	+ 13	+ 75	+153	+ 17	+ 77	+187	+166
Export credit	—115	— 48	— 52	—198	—193	—321	—325	—261	—172	—296	—155
Other short-term flows	— 76	— 80	+ 67	+ 4	+ 34	— 59	— 55	+ 54	— 2	—451	—232
Total investment and other capital flows	— 99	—301	—326	—578	—495	—756	—109	+479	+1,863	—757	+1,264
Balancing item	— 83	— 12	+ 22	— 53	+245	—119	+401	+111	+ 298	—577	+473
EEA loss on forward commitments	—	—	—	—	—105	—251	—	—	—	—	—
TOTAL CURRENCY FLOW	— 58	—695	—353	—547	—671	—1,410	+743	+1,287	+3,228	—1,265	+210
Allocation of SDR	—	—	—	—	—	—	—	+ 171	+ 125	+ 124	—
Gold subscription to IMF	—	—	—	— 44	—	—	—	— 38	—	—	—
Total	— 58	—695	—353	—591	—671	—1,410	+743	+1,420	+3,353	—1,141	+210
Total official financing	+ 58	+695	+353	+591	+671	+1,410	—743	—1,420	—3,353	+1,141	—210

(1) Including public corporations.
(2) Assets: increase—/decrease+. Liabilities: increase+/decrease—.

Visible trade in the balance of payments

Seasonally adjusted

TABLE 8

£ million

	Exports				Imports								
						Valuation adjustments		Coverage adjustments					
	Overseas Trade Statistics (f.o.b.)	Coverage adjustments	Net adjustment for recording of exports	Balance of payments (f.o.b.) (1)	Overseas Trade Statistics (c.i.f.)	Freight and insurance (2)	Other	US military aircraft		Ships delivered abroad	Other	Balance of payments (f.o.b.) (1)	Visible balance (1)
								Arrivals	Payments				
1968	6,434	—290	130	6,274	7,897	—742	—36	—146	+109	+ 97	—246	6,933	—659
1969	7,339	—319	43	7,063	8,315	—784	—37	—187	+ 61	+155	—317	7,206	—143
1970	8,061	—329	161	7,893	9,037	—864	—37	— 22	+ 10	+122	—344	7,902	— 9
1971	9,181	—488	103	8,796	9,821	—960	—36	— 10	+ 5	+203	—512	8,511	+285
1972	9,746	—612	—	9,134	11,138	—995	—38	— 1	+ 5	+327	—625	9,811	—677
1973	12,455	—1,020	—	11,435	15,855	—1,324	—48	— 2	+ 1	+377	—1,048	13,810	—2,375
1968 1st quarter	1,557	— 63	32	1,527	1,932	—183	—11	— 20	+ 23	+ 11	— 60	1,694	—167
2nd quarter	1,531	— 75	31	1,487	1,930	—190	— 9	— 25	+ 31	+ 27	— 60	1,703	—216
3rd quarter	1,657	— 74	33	1,615	2,009	—188	— 9	— 37	+ 35	+ 21	— 63	1,768	—153
4th quarter	1,689	— 78	34	1,645	2,026	—181	— 7	— 64	+ 20	+ 38	— 63	1,768	—123
1969 1st quarter	1,686	— 78	35	1,642	2,023	—196	—10	— 51	+ 33	+ 41	— 70	1,771	—129
2nd quarter	1,800	— 89	35	1,747	2,097	—196	— 9	— 66	+ 15	+ 45	— 90	1,795	— 48
3rd quarter	1,919	— 73	—17	1,829	2,086	—196	— 8	— 47	+ 3	+ 31	— 73	1,795	+ 34
4th quarter	1,934	— 79	—10	1,845	2,109	—196	— 9	— 23	+ 10	+ 38	— 84	1,845	—
1970 1st quarter	1,972	— 78	39	1,933	2,144	—197	—10	— 5	+ 1	+ 24	— 83	1,874	+ 59
2nd quarter	2,004	— 85	40	1,959	2,285	—212	—10	— 9	—	+ 38	— 86	2,005	— 46
3rd quarter	1,909	— 76	38	1,872	2,219	—220	— 8	— 2	+ 6	+ 31	— 78	1,949	— 77
4th quarter	2,176	— 90	44	2,129	2,389	—235	— 9	— 6	+ 3	+ 29	— 97	2,074	+ 55
1971 1st quarter	2,056	— 89	41	2,007	2,377	—245	—10	— 4	+ 5	+ 36	—100	2,059	— 52
2nd quarter	2,337	—123	46	2,260	2,462	—243	— 9	— 3	—	+ 73	—124	2,155	+105
3rd quarter	2,392	—138	31	2,286	2,449	—237	— 8	— 2	—	+ 55	—143	2,114	+172
4th quarter	2,396	—138	—15	2,243	2,533	—235	— 9	— 1	—	+ 39	—145	2,183	+ 60
1972 1st quarter	2,320	—143	—	2,177	2,631	—234	—10	—	+ 2	+ 55	—146	2,298	—121
2nd quarter	2,440	—147	—	2,293	2,673	—249	—10	—	+ 2	+ 76	—135	2,357	— 64
3rd quarter	2,199	—146	—	2,052	2,663	—238	— 9	—	—	+ 78	—158	2,336	—284
4th quarter	2,787	—176	—	2,612	3,171	—274	— 9	— 1	+ 1	+118	—186	2,820	—208
1973 1st quarter	2,836	—203	—	2,633	3,390	—294	—12	—	+ 1	+104	—205	2,984	—351
2nd quarter	3,015	—220	—	2,794	3,679	—317	—13	—	—	+ 72	—228	3,193	—399
3rd quarter	3,252	—268	—	2,984	4,163	—342	—10	— 1	—	+ 61	—280	3,590	—606
4th quarter	3,352	—329	—	3,024	4,623	—372	—13	— 1	—	+140	—335	4,043	—1,019

(1) Components and totals are rounded independently.
(2) Including port charges.

Government services and transfers

TABLE 9

£ million

	Credits			Debits								Government (net)
	Services	Transfers		Services			Transfers					
	Military and other	EEC	Total	Military	Administrative, diplomatic, etc.	Total services	Economic grants	Subscriptions and contributions to international organisations		Other	Total transfers	Total
								EEC	Other			
1968	44	—	44	275	56	331	88	—	50	41	179	510	—466
1969	48	—	48	282	56	338	87	—	56	34	177	515	—467
1970	51	—	51	302	63	365	85	—	54	33	172	537	—486
1971	59	—	59	322	63	385	112	—	54	34	200	585	—526
1972	75	—	75	359	75	434	90	—	69	43	202	636	—561
1973	65	75	140	422	93	515	108	171	71	47	397	912	—772
Unadjusted													
1971 1st quarter ..	22	—	22	76	15	91	38	—	11	8	57	148	—126
2nd quarter ..	9	—	9	76	15	91	16	—	20	9	45	136	—127
3rd quarter ..	15	—	15	88	18	106	25	—	14	9	48	154	—139
4th quarter ..	13	—	13	82	15	97	33	—	9	8	50	147	—134
1972 1st quarter ..	26	—	26	97	17	114	32	—	23	9	64	178	—152
2nd quarter ..	15	—	15	76	18	94	16	—	23	12	51	145	—130
3rd quarter ..	13	—	13	93	19	112	20	—	15	11	46	158	—145
4th quarter ..	21	—	21	93	21	114	22	—	8	11	41	155	—134
1973 1st quarter ..	24	3	27	101	21	122	46	17	17	11	91	213	—186
2nd quarter ..	10	11	21	94	21	115	17	62	28	11	118	233	—212
3rd quarter ..	16	30	46	113	26	139	23	48	12	12	95	234	—188
4th quarter ..	15	31	46	114	25	139	22	44	14	13	93	232	—186
Seasonally adjusted													
1971 1st quarter ..	14	—	14	75	15	90	24	—	11	8	43	133	—119
2nd quarter ..	14	—	14	81	15	96	25	—	14	9	48	144	—130
3rd quarter ..	18	—	18	83	18	101	30	—	16	9	55	156	—138
4th quarter ..	13	—	13	83	15	98	33	—	13	8	54	152	—139
1972 1st quarter ..	18	—	18	88	17	105	19	—	26	9	54	159	—141
2nd quarter ..	16	—	16	84	18	102	25	—	16	12	53	155	—139
3rd quarter ..	20	—	20	92	19	111	24	—	16	11	51	162	—142
4th quarter ..	21	—	21	95	21	116	22	—	11	11	44	160	—139
1973 1st quarter ..	14	18	32	97	21	118	28	42	20	11	101	219	—187
2nd quarter ..	18	19	37	101	21	122	29	43	20	11	103	225	—188
3rd quarter ..	16	19	35	110	25	135	28	43	14	12	97	232	—197
4th quarter ..	17	19	36	114	26	140	23	43	17	13	96	236	—200

Interest, profits and dividends

TABLE 10

£ million

	Credits				Debits				Interest, profits and dividends (net)
	Direct investment(1)	Portfolio investment	Other(2)	Total	Direct investment(1)	Portfolio investment	Other(2)	Total	
1968	568	164	375	1,107	329	96	347	772	+335
1969	650	161	527	1,338	308	100	431	839	+499
1970	684	171	533	1,388	345	113	415	873	+515
1971	693	166	612	1,471	374	137	444	955	+516
1972	814	162	631	1,607	479	159	493	1,131	+476
1973	1,210	189	805	2,204	595	190	656	1,441	+763
Unadjusted									
1971 1st quarter	164	44	166	374	82	24	109	215	+159
2nd quarter	181	38	175	394	94	43	107	244	+150
3rd quarter	171	45	141	357	81	31	95	207	+150
4th quarter	177	39	130	346	117	39	133	289	+ 57
1972 1st quarter	183	39	158	380	102	36	108	246	+134
2nd quarter	207	39	161	407	128	44	108	280	+127
3rd quarter	194	41	154	389	107	37	112	256	+133
4th quarter	230	43	158	431	142	42	165	349	+ 82
1973 1st quarter	268	42	183	493	157	43	133	333	+160
2nd quarter	297	49	202	548	155	50	142	347	+201
3rd quarter	308	51	203	562	130	46	152	328	+234
4th quarter	337	47	217	601	153	51	229	433	+168
Seasonally adjusted									
1971 1st quarter	173	42	160	375	88	32	122	242	+133
2nd quarter	176	40	155	371	91	35	114	240	+131
3rd quarter	168	42	157	367	91	35	107	233	+134
4th quarter	176	42	140	358	104	35	101	240	+118
1972 1st quarter	194	36	152	382	108	40	119	267	+115
2nd quarter	201	41	147	389	123	39	116	278	+111
3rd quarter	192	39	165	396	120	42	124	286	+110
4th quarter	227	46	167	440	128	38	134	300	+140
1973 1st quarter	282	40	174	496	164	43	144	351	+145
2nd quarter	290	52	181	523	149	43	150	342	+181
3rd quarter	303	48	217	568	147	51	163	361	+207
4th quarter	335	49	233	617	135	53	199	387	+230

(1) Department of Trade and Industry inquiry into overseas direct investment. Credits exclude oil. Debits exclude oil and insurance.
(2) Including oil.

Official long-term capital (1)

Not seasonally adjusted

TABLE 11

£ million

	Inter-government loans							Other official long-term capital		Total official long-term capital
	Made by UK	Repaid to UK	Made to UK		Repaid by UK		Total	UK subscriptions to IDA, etc.	Other	
			Export-Import Bank	Other	Export-Import Bank	Other				
1968	— 90	+ 30	+ 98	—	— 24	— 20	— 6	— 5	+ 27	+ 16
1969	— 82	+ 30	+ 64	+ 52	— 54	— 58	— 48	— 45	— 6	— 99
1970	—110	+ 27	+ 9	—	— 43	— 61	—178	— 24	— 2	—204
1971	—125	+ 32	+ 4	—	— 42	— 57	—188	— 43	— 42	—273
1972	—110	+ 34	—	—	— 58	— 55	—189	— 52	— 15	—256
1973	— 92	+ 30	—	—	— 38	— 54	—154	— 84	— 16	—254
1971 1st quarter	— 48	+ 5	+ 4	—	—	—	— 39	— 1	— 5	— 45
2nd quarter	— 15	+ 9	—	—	— 21	— 11	— 38	—	— 6	— 44
3rd quarter	— 31	+ 4	—	—	—	— 5	— 32	— 1	— 2	— 35
4th quarter	— 31	+ 14	—	—	— 21	— 41	— 79	— 41	— 29	—149
1972 1st quarter	— 29	+ 5	—	—	— 17	—	— 41	— 1	— 1	— 43
2nd quarter	— 20	+ 10	—	—	— 20	— 3	— 33	— 1	— 5	— 39
3rd quarter	— 12	+ 4	—	—	—	— 5	— 13	— 1	— 3	— 17
4th quarter	— 49	+ 15	—	—	— 21	— 47	—102	— 49	— 6	—157
1973 1st quarter	— 47	+ 4	—	—	—	—	— 43	— 10	— 3	— 56
2nd quarter	— 14	+ 11	—	—	— 19	— 4	— 26	—	— 5	— 31
3rd quarter	— 13	+ 5	—	—	—	— 2	— 10	— 13	— 2	— 25
4th quarter	— 18	+ 10	—	—	— 19	— 48	— 75	— 61	— 6	—142

(1) Assets: increase—/ decrease+. Liabilities: increase+/ decrease—.

Overseas investment in UK public sector(1)

Not seasonally adjusted

TABLE 12

£ million

	British government stocks(2)	Local authorities' securities and mortgages	Net issues abroad		Net borrowing abroad from banks, etc.		Total
			Public corporations	Local authorities	Public corporations	Local authorities (3)	
1968	+ 9	+ 7	—	—	—	—	+ 16
1969	— 74	— 1	+ 54	—	+16	+ 5	—
1970	— 10	+ 2	—	—	— 2	—	— 10
1971	+ 82	+ 21	+ 11	—	+65	—	+179
1972	+108	+ 5	—	—	—	—	+113
1973	+ 8	+ 29	+ 69	+121	+67	+ 7	+301
1971 1st quarter	+ 61	+ 5	+ 11	—	+44	—	+121
2nd quarter	+ 4	+ 3	—	—	+21	—	+ 28
3rd quarter	+ 2	+ 3	—	—	—	—	+ 5
4th quarter	+ 15	+ 10	—	—	—	—	+ 25
1972 1st quarter	+ 63	+ 1	—	—	—	—	+ 64
2nd quarter	+ 20	—	—	—	—	—	+ 20
3rd quarter	+ 13	+ 9	—	—	—	—	+ 22
4th quarter	+ 12	— 5	—	—	—	—	+ 7
1973 1st quarter	— 15	— 1	+ 50	+ 10	—	—	+ 44
2nd quarter	+ 12	+ 8	—	+ 38	+10	—	+ 68
3rd quarter	+ 9	+ 12	— 1	+ 25	— 8	—	+ 37
4th quarter	+ 2	+ 10	+ 20	+ 48	+65	+ 7	+152

(1) Net of disinvestment. Assets: increase—/decrease +. Liabilities: increase+/decrease—.
(2) Excluding investment by central monetary institutions and international organisations.
(3) Other than short-term borrowing.

Inward and outward investment(1)—UK private sector

Not seasonally adjusted

TABLE 13 — £ million

	Overseas investment in UK private sector						
	Direct(3)			UK company securities			
	Unremitted profits	Other	Total	Issues abroad (net)	Other securities	Oil and miscellaneous	Total
1968	+176	+ 98	+274	+ 19	+ 15	+259	+ 567
1969	+132	+187	+319	+ 6	+130	+218	+ 673
1970	+171	+168	+339	+ 35	+ 48	+303	+ 725
1971	+174	+254	+428	+ 89	+100	+391	+1,008
1972	+253	+ 90	+343	+150	+ 5	+231	+ 729
1973	+277	+306	+583	+141	+ 98	+543	+1,365
1971 1st quarter	+ 44	+137	+181	+ 27	+ 37	+ 75	+ 320
2nd quarter	+ 43	+ 59	+102	+ 5	+ 66	+103	+ 276
3rd quarter	+ 38	+ 47	+ 85	— 1	+ 11	+110	+ 205
4th quarter	+ 49	+ 11	+ 60	+ 58	— 14	+103	+ 207
1972 1st quarter	+ 44	+ 16	+ 60	— 2	— 5	+100	+ 153
2nd quarter	+ 81	+ 19	+100	+ 36	—	+ 25	+ 161
3rd quarter	+ 58	+ 36	+ 94	+ 48	+ 11	+ 81	+ 234
4th quarter	+ 70	+ 19	+ 89	+ 68	— 1	+ 25	+ 181
1973 1st quarter	+ 4	+ 25	+ 29	+ 75	+ 41	+143	+ 288
2nd quarter	+ 68	+128	+196	+ 30	+ 20	+106	+ 352
3rd quarter	+ 96	+ 20	+116	+ 29	+ 20	+167	+ 332
4th quarter	+109	+133	+242	+ 7	+ 17	+127	+ 393

TABLE 13 (*continued*) — £ million

	UK private investment overseas					
	Direct(3)			Portfolio	Oil and miscellaneous	Total
	Unremitted profits	Other	Total			
1968	—277	—133	—410	—236	— 81	— 727
1969	—321	—228	—549	— 34	— 96	— 679
1970	—308	—209	—517	—112	— 144	— 773
1971	—316	—329	—645	— 77	— 153	— 875
1972	—398	—294	—692	—686	— 72	—1,450
1973	—671	—468	—1,139	— 29	— 85	—1,253
1971 1st quarter	— 72	— 97	—169	+ 1	— 51	— 219
2nd quarter	— 77	— 93	—170	— 21	— 47	— 238
3rd quarter	— 88	— 40	—128	— 38	— 24	— 190
4th quarter	— 79	— 99	—178	— 19	— 31	— 228
1972 1st quarter	— 86	— 66	—152	—165	— 23	— 340
2nd quarter	—105	— 31	—136	—200	— 22	— 358
3rd quarter	— 94	— 79	—173	—179	— 3	— 355
4th quarter	—113	—118	—231	—142	— 24	— 397
1973 1st quarter	—139	— 70	—209	— 53	— 78	— 340
2nd quarter	—164	—130	—294	+ 20	— 9	— 283
3rd quarter	—177	—184	—361	+ 35	+ 91	— 235
4th quarter	—191	— 84	—275	— 31	— 89	— 395

(1) Net of disinvestment. Assets: increase—/decrease+. Liabilities: increase+/decrease—.
(2) Department of Trade and Industry inquiry into overseas direct investment: excluding oil and insurance.
(3) Department of Trade and Industry inquiry into overseas direct investment: excluding oil.

Import and export credit (1)

Not seasonally adjusted

TABLE 14

£ million

	Import credit						Export credit					
	Credit received by UK businesses			Advance and progress payments	Import deposits paid directly from overseas	Total	Credit extended by UK banks (3)			Suppliers' credit	Advance and progress payments (5)	Total
	Identified long-term(2)	Other	Total				Identified long-term(4)	Other	Total			
1968	+ 36	+ 50	+ 86	— 12	+ 1	+ 75	—143	— 52	—195	—152	+ 26	—321
1969	+ 50	+ 70	+120	— 26	+ 59	+153	—200	— 21	—221	—172	+ 68	—325
1970	+ 39	+ 12	+ 51	— 2	— 32	+ 17	—281	+ 30	—251	—116	+106	—261
1971	+ 81	+ 12	+ 93	+ 12	— 28	+ 77	—359	+ 71	—288	— 7	+123	—172
1972	+159	+ 17	+176	+ 11	—	+187	—323	+ 57	—266	—131	+101	—296
1973	+ 88	+ 86	+174	— 8	—	+166	—241	+ 27	—214	—110	+169	—155
1971 1st quarter	+ 28	+ 6	+ 34	+ 11	— 17	+ 28	— 79	+ 13	— 66	— 11	+ 40	— 37
2nd quarter	+ 16	— 10	+ 6	+ 1	— 11	— 4	—119	+ 26	— 93	— 25	+ 47	— 71
3rd quarter	+ 20	+ 6	+ 26	+ 4	—	+ 30	— 71	+ 43	— 28	+ 49	+ 23	+ 44
4th quarter	+ 17	+ 10	+ 27	— 4	—	+ 23	— 90	— 11	—101	— 20	+ 13	—108
1972 1st quarter	+ 34	+ 2	+ 36	+ 11	—	+ 47	— 93	+ 10	— 83	— 2	+ 27	— 58
2nd quarter	+ 40	— 18	+ 22	—	—	+ 22	— 76	+ 30	— 46	— 59	— 13	—118
3rd quarter	+ 29	— 10	+ 19	— 4	—	+ 15	— 73	+ 10	— 63	— 11	+ 62	— 12
4th quarter	+ 56	+ 43	+ 99	+ 4	—	+103	— 81	+ 7	— 74	— 59	+ 25	—108
1973 1st quarter	+ 20	+ 12	+ 32	— 3	—	+ 29	— 58	— 16	— 74	— 48	+ 34	— 88
2nd quarter	+ 25	+ 22	+ 47	— 4	—	+ 43	— 62	+ 39	— 23	— 9	+ 48	+ 16
3rd quarter	— 13	+ 12	— 1	— 6	—	— 7	— 61	— 2	— 63	— 10	+ 30	— 43
4th quarter	+ 56	+ 40	+ 96	+ 5	—	+101	— 60	+ 6	— 54	— 43	+ 57	— 40

(1) Excluding trade credit between 'related' firms. Assets: increase—/decrease+. Liabilities: increase +/decrease—.
(2) Non-oil company ships and public corporation aircraft only.
(3) Including amounts refinanced with the Issue Department of the Bank of England and credit extended by the Insurance Export Finance Company.
(4) Credit extended under ECGD buyer credit schemes and ECGD specific bank guarantees.
(5) Including advances by overseas customers financed by UK banks.

Other short-term flows (1)

Not seasonally adjusted

TABLE 15

£ million

	External sterling claims(2)	Official assets and liabilities (nei)	Other commercial short-term transactions (net)	IMF expenditure and receipts in sterling	IMF gold deposits in the UK	Total
1968	— 44	+ 7	— 41	+20	— 1	— 59
1969	— 64	— 6	—	+15	—	— 55
1970	— 10	+29	+ 39	—	— 4	+ 54
1971	— 70	+21	+ 49	—	— 2	— 2
1972	—312	+16	— 61	—83	—11	—451
1973	—125	—14	— 93	—	—	—232
1971 1st quarter	+ 76	+21	+ 16	—	— 1	+112
2nd quarter	—113	— 1	+ 76	—	— 1	— 39
3rd quarter	+ 61	— 4	— 25	—	—	+ 32
4th quarter	— 94	+ 5	— 18	—	—	—107
1972 1st quarter	—107	— 3	— 28	—	—11	—149
2nd quarter	—208	+18	+ 21	—83	—	—252
3rd quarter	— 7	—11	— 41	—	—	— 59
4th quarter	+ 10	+12	— 13	—	—	+ 9
1973 1st quarter	+124	—	— 73	—	—	+ 51
2nd quarter	—121	— 1	+ 78	—	—	— 44
3rd quarter	—111	— 1	— 43	—	—	—155
4th quarter	— 17	—12	— 55	—	—	— 84

(1) Assets: increase—/decrease+. Liabilities: increase+/decrease—.
(2) Excluding export credit.

Official financing

TABLE 16

£ million

	Net transactions with overseas monetary authorities							Drawings on (+)/ additions to (—) official reserves (4)	Total official financing
	International Monetary Fund(1)				Other monetary authorities(2)				
	UK drawings	UK re-purchases	Other net drawings (3)	Total	Foreign currency	Sterling	Total		
1968	+583	— 77	—	+506	+ 18	+ 772	+ 790	+ 114	+1,410
1969	+354	—382	— 2	— 30	— 61	— 608	— 669	— 44	— 743
1970	+ 63	—141	— 56	—134	—150	—1,011	—1,161	— 125	—1,420
1971	—	—541	— 13	—554	—	—1,263	—1,263	—1,536	—3,353
1972	—	—313	—102	—415	—	+ 864	+ 864	+ 692	+1,141
1973	—	—	—	—	—	—	—	— 210	— 210
1971 1st quarter	—	—285	— 2	—287	—	— 607	— 607	— 204	—1,098
2nd quarter	—	—	— 8	— 8	—	— 500	— 500	— 126	— 634
3rd quarter	—	—256	— 3	—259	—	+ 167	+ 167	— 576	— 668
4th quarter	—	—	—	—	—	— 323	— 323	— 630	— 953
1972 1st quarter	—	—	— 10	— 10	—	+ 20	+ 20	— 191	— 181
2nd quarter	—	—313	— 92	—405	—	+1,404	+1,404	+ 46	+1,045
3rd quarter	—	—	—	—	—	— 560	— 560	+ 639	+ 79
4th quarter	—	—	—	—	—	—	—	+ 198	+ 198
1973 1st quarter	—	—	—	—	—	—	—	— 69	— 69
2nd quarter	—	—	—	—	—	—	—	— 377	— 377
3rd quarter	—	—	—	—	—	—	—	+ 258	+ 258
4th quarter	—	—	—	—	—	—	—	— 22	— 22

(1) Components and the total are rounded independently. From July 1972, includes credit tranche transactions only.
(2) Net borrowing from other monetary authorities in the form of foreign currency deposits and assistance with a sterling counterpart, and other special swaps. (3) Drawings(—) and repurchases(+) in sterling by other countries.
(4) From 23 August 1971, valued in sterling at transactions rates of exchange (see notes on page 78 of the 1973 issue of the Pink Book). From July 1972, includes transactions affecting the United Kingdom reserve position in the IMF.

International Monetary Fund

TABLE 17

£ million

	United Kingdom account with the IMF (1)								IMF holdings of sterling	United Kingdom tranche position (4)	
				Credit tranche							
	UK gold sub-scription	IMF gold deposits in UK (2)	Gold tranche (net)	UK drawings	UK re-purchases	Net drawings (—)/ re-purchases (+) in sterling by other countries	Other IMF sterling trans-actions (3)	Change in account with IMF		Total	*of which* Gold tranche
									End of period		
1968	—	— 1	—	+583	— 77	—	+ 20	+525	1,965	68	—
1969	—	—	—	+354	—382	— 2	+ 16	— 15	1,950	83	—
1970	—38	— 4	—	+ 63	—141	— 56	—	—176	1,929(5)	404	—
1971	—	— 2	—	—	—541	— 13	—	—556	1,374	959	—
1972	—	— 11	— 33	—	— 21	—102	— 83	—250	1,132(6)	1,215	49
1973	—	—	—	—	—	—	—	—	1,189	1,215	49
1971 1st quarter	—	— 1	—	—	—285	— 2	—	—288	1,642	691	—
2nd quarter	—	— 1	—	—	—	— 8	—	— 9	1,633	700	—
3rd quarter	—	—	—	—	—256	— 3	—	—259	1,374	959	—
4th quarter	—	—	—	—	—	—	—	—	1,374	959	—
1972 1st quarter	—	— 11	—	—	—	— 10	—	— 21	1,364	970	—
2nd quarter	—	—	—292	—	— 21	— 92	— 83	—488	873(6)	1,458	292
3rd quarter	—	—	+259	—	—	—	—	+259	1,132	1,215	49
4th quarter	—	—	—	—	—	—	—	—	1,132	1,215	49
1973 1st quarter	—	—	—	—	—	—	—	—	1,132	1,215	49
2nd quarter	—	—	—	—	—	—	—	—	1,189(6)	1,215	49
3rd quarter	—	—	—	—	—	—	—	—	1,189	1,215	49
4th quarter	—	—	—	—	—	—	—	—	1,189	1,215	49

(1) UK assets with IMF: increase—/decrease+. UK liabilities to IMF: increase+/decrease—. From first quarter 1972 valued at current market rates of exchange.
(2) Deposits of gold to delay the impact of gold purchases from the United Kingdom by other Fund members in order to pay the increase in their gold subscriptions.
(3) IMF receipts of sterling as UK payments of charges on drawings; these ended in 1969 and were repurchased in April 1972.
(4) The amount, valued at parity, the United Kingdom could draw without raising IMF holdings of sterling beyond 200 per cent of quota. The United Kingdom quota was raised in March 1966 to $2,440 million (£871 million until revaluation in November 1967 after which the sterling equivalent was £1,017 million) and again to $2,800 million (£1,167 million) in November 1970. From March 1972 the unit of account of the IMF was changed from dollars to SDRs. The quota is therefore now expressed as SDR 2,800 million (£1,167 million).
(5) Includes additional sterling subscription of £113 million.
(6) Includes maintenance of value adjustments of —£3 million in May 1972 to maintain a constant value in terms of SDRs of the Fund's holdings of sterling following the Fund's decision to value certain currencies at market rates of exchange, and £57 million in May 1973 consequent upon the sterling float.

Official long-term borrowing (1)

TABLE 18 — End of period — £ million

	Inter-government loans											Other official long-term capital (3)
	Western Europe		USA						Canada	Overseas sterling area	Total(4)	
	German Federal Republic	Portugal	Lend-lease	Line of credit	ECA(2)	MSA(3)	Export-Import Bank credit	Other	Line of credit	Pakistan		
1968	25	23	197	1,262	108	18	220	1	369	3	2,226	21
1969	70	17	193	1,235	103	17	231	1	361	3	2,232	23
1970	60	12	188	1,208	98	17	197	1	353	3	2,137	23
1971 1st quarter ..	60	12	188	1,208	98	17	201	1	353	3	2,141	23
2nd quarter ..	52	12	188	1,208	95	16	179	1	353	3	2,108	23
3rd quarter ..	52	7	188	1,208	95	16	179	1	353	3	2,103	23
4th quarter ..	48	7	170	1,088	85	15	145	1	345	2	1,906	—
1972 1st quarter ..	48	7	170	1,088	85	15	128	1	345	2	1,889	—
2nd quarter ..	48	7	170	1,088	83	15	109	1	345	2	1,867	—
3rd quarter ..	48	2	170	1,088	83	14	109	1	345	2	1,862	—
4th quarter ..	48	2	166	1,062	80	14	90	1	337	2	1,802	—
1973 1st quarter ..	43	2	149	956	72	13	81	1	303	2	1,622	—
2nd quarter ..	43	2	149	956	69	12	64	1	303	2	1,602	—
3rd quarter ..	43	—	149	956	69	12	64	1	303	2	1,600	—
4th quarter ..	43	—	145	932	67	12	48	1	295	2	1,545	—

(1) Figures are calculated to end-September 1971 at $2.40 = £1; from end-December 1971 to end-December 1972 at $2.6057 = £1 and from end-March 1973 at $2.8952 = £1.
(2) Economic Co-operation Administration.
(3) Mutual Security Agency.
(4) The components are rounded independently from the overall total.
(5) Deutsche Bundesbank loan.

Official long-term lending

TABLE 19 — End of period — £ million

	Inter-government loans(1)									Other official long-term capital(3)
	Overseas sterling area				Western Europe		Latin America	Other non-sterling countries	Total(2)	
	India	Pakistan	Kenya	Other	Turkey	Other				
1968	272	58	50	208	37	2	13	99	739	395
1969	289	67	54	229	39	2	10	101	791	445
1970	325	75	59	261	43	2	6	104	875	466
1971 1st quarter	346	77	61	280	42	2	6	105	919	472
2nd quarter	349	78	61	281	43	2	5	105	924	479
3rd quarter	360	79	61	294	44	2	5	105	951	482
4th quarter	374	80	62	289	45	2	5	106	963	529
1972 1st quarter	385	81	64	277	47	2	4	108	968	531
2nd quarter	391	82	64	279	48	2	4	109	979	537
3rd quarter	395	82	63	283	48	2	4	109	986	541
4th quarter	413	82	64	304	49	2	4	110	1,029	596
1973 1st quarter	440	84	65	313	50	2	4	114	1,071	609
2nd quarter	442	85	65	313	49	2	4	115	1,074	614
3rd quarter	446	85	65	316	48	2	4	117	1,083	629
4th quarter	448	86	65	319	47	2	4	119	1,091	696

(1) Some loans have, by agreement with the debtor country, been written down either in whole or in part. Such changes are reflected in the entries in this table but are not recorded as repayments in the general balance of payments tables or in Table 11.
(2) The components are rounded independently from the overall total.
(3) Subscriptions to international financial organisations (excluding the IMF) and other official assets.

External liabilities and claims of United Kingdom banks in overseas currencies (1)

TABLE 20 — End of period — £ million

	Total all currencies	Currency		Area of holder			
		US dollars	Other overseas currencies	European Economic Community	Overseas sterling countries(2)	Western Europe(3)	Other countries(4)
United Kingdom liabilities							
1968	7,223	6,404	819		630	3,917	2,676
1969	12,083	10,728	1,355		1,138	6,709	4,236
1970	15,283	13,086	2,197		1,410	9,045	4,828
1971 1st quarter	15,415	12,950	2,465		1,369	9,012	5,034
2nd quarter	16,494	13,691	2,803		1,535	9,470	5,489
3rd quarter	17,234	13,926	3,308		1,465	10,043	5,726
4th quarter(5)	17,685	14,172	3,513		1,422	10,473	5,790
	17,605	14,146	3,459		1,406	10,423	5,776
1972 1st quarter	18,333	14,810	3,523		1,364	10,891	6,078
2nd quarter	20,569	16,296	4,273		1,764	12,183	6,622
3rd quarter	22,823	18,183	4,640		1,887	13,173	7,763
4th quarter	25,460	20,539	4,921		2,285	14,327	8,848
1973 1st quarter	27,498	21,834	5,664	7,504	2,435	7,130	10,429
2nd quarter	28,426	21,361	7,065	8,068	2,757	7,267	10,334
3rd quarter	34,003	25,458	8,545	10,503	3,510	8,791	11,199
4th quarter	39,017	29,770	9,247	12,606	3,843	9,737	12,831
United Kingdom claims							
1968	7,187	6,245	942		247	2,166	4,774
1969	12,083	10,514	1,569		631	3,570	7,882
1970	14,816	12,189	2,627		1,065	6,270	7,481
1971 1st quarter	14,858	12,228	2,630		1,179	6,780	6,899
2nd quarter	15,811	12,892	2,919		1,508	7,378	6,925
3rd quarter	16,537	12,944	3,593		1,733	7,972	6,832
4th quarter(5)	16,786	13,104	3,682		2,071	8,167	6,548
	16,680	13,023	3,657		2,062	8,139	6,479
1972 1st quarter	17,309	13,554	3,755		2,257	8,323	6,729
2nd quarter	19,642	15,280	4,362		2,690	9,241	7,711
3rd quarter	21,692	17,003	4,689		2,838	10,353	8,501
4th quarter	24,019	19,422	4,597		3,629	11,165	9,225
1973 1st quarter	26,084	20,084	6,000	9,788	3,491	3,384	9,421
2nd quarter	26,721	19,911	6,810	9,611	4,024	3,629	9,457
3rd quarter	31,833	23,550	8,283	11,224	4,781	3,868	11,960
4th quarter	36,274	28,174	8,100	12,518	5,683	3,923	14,150
Net liabilities(6)							
1968	36	159	—123		383	1,751	—2,098
1969	—	214	—214		507	3,139	—3,646
1970	467	897	—430		345	2,775	—2,653
1971 1st quarter	557	722	—165		190	2,232	—1,865
2nd quarter	683	799	—116		27	2,092	—1,436
3rd quarter	697	982	—285		—268	2,071	—1,106
4th quarter(5)	899	1,068	—169		—649	2,306	— 758
	925	1,123	—198		—656	2,284	— 703
1972 1st quarter	1,024	1,256	—232		—893	2,568	— 651
2nd quarter	927	1,016	— 89		—926	2,942	—1,089
3rd quarter	1,131	1,180	— 49		—951	2,820	— 738
4th quarter	1,441	1,117	324		—1,344	3,162	— 377
1973 1st quarter	1,414	1,750	—336	—2,284	—1,056	3,746	1,008
2nd quarter	1,705	1,450	255	—1,543	—1,267	3,638	877
3rd quarter	2,170	1,908	262	— 721	—1,271	4,923	— 761
4th quarter	2,743	1,596	1,147	88	—1,840	5,814	—1,319

(1) Including revaluations in sterling terms, from the third quarter of 1971, which are excluded from Table 3.
(2) Excluding the Irish Republic from January 1973.
(3) Excluding the European Economic Community from January 1973.
(4) Including unallocated items; under liabilities these are mainly certificates of deposit which are thought to be held by residents of non-sterling countries.
(5) From the end of 1971 commercial bills held by banks on behalf of customers are excluded. Figures for the fourth quarter 1971 are given both including and excluding these bills.
(6) Minus sign indicates that claims exceed liabilities.

Exchange reserves in sterling; and banking and money market liabilities in sterling to holders other than central monetary institutions

TABLE 21 — End of period — £ million

	Exchange reserves in sterling held by central monetary institutions					Banking and money market liabilities to holders other than CMIs		
	Total(1)	British government stocks(2)	Banking and money market liabilities			Total	External deposits (3)	Treasury bills
			Total	External deposits (3)	Treasury bills(4)			
Overseas sterling countries(5)								
1968	1,650	938	712	343	368	984	984	3
1969	2,039	1,197	842	535	307	936	935	2
1970	2,254	1,286	968	630	339	1,111	1,108	3
1971 1st quarter	2,475	1,342	1,133	725	408	1,171	1,168	3
2nd quarter	2,690	1,367	1,323	778	545	1,174	1,171	3
3rd quarter	2,760	1,310	1,450	835	615	1,276	1,274	2
4th quarter	2,740	1,298	1,442	750	692	1,480	1,478	2
1972 1st quarter	2,884	1,361	1,523	885	638	1,474	1,472	2
2nd quarter	2,931	1,360	1,571	942	629	1,419	1,416	3
3rd quarter	2,943	1,318	1,625	851	774	1,410	1,406	4
4th quarter	3,159	1,441	1,718	876	842	1,319	1,317	2
Non-sterling countries(6)								
1968	153	11	142	63	80	475	472	2
1969	107	7	100	36	64	470	469	2
1970	111	9	102	69	34	562	561	1
1971 1st quarter	122	9	113	88	25	562	562	—
2nd quarter	191	9	182	143	39	556	555	1
3rd quarter	204	9	195	170	25	694	693	1
4th quarter	290	9	281	246	35	902	901	1
1972 1st quarter	347	9	338	283	55	911	910	1
2nd quarter	322	6	316	264	52	799	799	—
3rd quarter	226	8	218	181	37	803	803	—
4th quarter	202	13	189	155	34	972	971	1
International organisations(7)								
1968	117	12	105	11	94	—	—	—
1969	173	79	94	18	76	—	—	—
1970	182	86	96	14	82	—	—	—
1971 1st quarter	179	91	88	19	69	—	—	—
2nd quarter	172	99	73	15	58	—	—	—
3rd quarter	179	109	70	17	53	—	—	—
4th quarter	210	109	101	10	91	—	—	—
1972 1st quarter	210	109	101	14	87	—	—	—
2nd quarter	224	112	112	27	85	—	—	—
3rd quarter	222	118	104	28	76	—	—	—
4th quarter	257	118	139	17	122	—	—	—
Total								
1968	1,920	961	959	417	542	1,460	1,455	5
1969	2,319	1,283	1,036	589	446	1,407	1,404	5
1970	2,547	1,381	1,166	712	455	1,673	1,670	3
1971 1st quarter	2,776	1,442	1,334	832	502	1,733	1,730	3
2nd quarter	3,053	1,475	1,578	936	642	1,730	1,726	4
3rd quarter	3,143	1,428	1,715	1,022	693	1,970	1,967	3
4th quarter	3,240	1,416	1,824	1,006	818	2,382	2,379	3
1972 1st quarter	3,441	1,479	1,962	1,182	780	2,385	2,382	3
2nd quarter	3,477	1,478	1,999	1,233	766	2,218	2,215	3
3rd quarter	3,391	1,444	1,947	1,060	887	2,213	2,209	4
4th quarter	3,618	1,572	2,046	1,048	998	2,291	2,288	3

Exchange reserves in sterling; and banking and money market liabilities in sterling to holders other than central monetary institutions

TABLE 21 (*continued*) End of period £ million

	Exchange reserves in sterling held by central monetary institutions					Banking and money market liabilities to holders other than CMIs		
	Total(1)	British government stocks(2)	Banking and money market liabilities			Total	External deposits(3)	Treasury bills
			Total	External deposits(3)	Treasury bills(4)			
European Economic Community								
1973 1st quarter	264	107	157	125	32	448	447	1
2nd quarter	267	107	160	131	29	477	475	2
3rd quarter	288	107	181	152	29	447	447	—
4th quarter	288	107	181	159	22	468	467	1
Overseas sterling countries(5)								
1973 1st quarter	3,100	1,347	1,753	1,075	678	1,162	1,161	1
2nd quarter	3,083	1,447	1,636	976	660	1,119	1,117	2
3rd quarter	2,716	1,330	1,386	907	479	1,079	1,077	2
4th quarter	2,765	1,279	1,486	1,026	460	971	970	1
Other countries								
1973 1st quarter	186	12	174	109	65	644	643	1
2nd quarter	304	12	292	262	30	737	735	2
3rd quarter	223	12	211	185	26	733	730	3
4th quarter	304	42	262	238	24	822	820	2
International organisations(7)								
1973 1st quarter	271	126	145	17	128	—	—	—
2nd quarter	264	126	138	19	119	—	—	—
3rd quarter	266	126	140	25	115	—	—	—
4th quarter	310	128	182	20	162	—	—	—
Total								
1973 1st quarter	3,821	1,592	2,229	1,326	903	2,254	2,251	3
2nd quarter	3,918	1,692	2,226	1,388	838	2,333	2,327	6
3rd quarter	3,493	1,575	1,918	1,269	649	2,259	2,254	5
4th quarter	3,667	1,556	2,111	1,443	668	2,261	2,257	4

(1) Sterling reserves of overseas countries and international organisations (other than the IMF) as reported by UK banks, etc. Excludes the following official funds totalling about £690 million in June 1973; trust, pension and other earmarked funds, holdings of equities and funds held locally with commercial banks. In addition about £130 million of Commonwealth sterling securities, which are primarily liabilities not of the UK but of countries issuing the securities, are known to be held as part of overseas countries' sterling reserves.

(2) At nominal values. The flows resulting from changes in holdings, shown in Table 3 are estimated at transaction values.

(3) Deposits with banks, local authorities and hire purchase finance companies.

(4) Including certain non-interest-bearing notes.

(5) Including Libya up to the end of 1971, thereafter included in non-sterling countries.

(6) See footnote (5).

(7) Excluding IMF.

(8) Excluding Republic of Ireland.

Official reserves (1)

TABLE 22 — End of period — £ million

	Total	Gold	IMF Special Drawing Rights	Convertible currencies	Reserve position in the IMF (2)
1968	1,009	614	—	395	
1969	1,053	613	—	440	
1970	1,178	562	111	505	
1971 1st quarter	1,382	468	201	713	
2nd quarter	1,508	335	203	970	
3rd quarter	2,089	324	230	1,535	
4th quarter	2,526	323	246	1,957	
1972 1st quarter	2,715	313	384	2,018	
2nd quarter	2,673	313	233	2,127	
3rd quarter	2,337(3)	307	246	1,735	49(3)
4th quarter	2,167	307	252	1,559	49
1973 1st quarter	2,085	311	252	1,473	49
2nd quarter	2,422	311	250	1,812	49
3rd quarter	2,204	306	250	1,599	49
4th quarter	2,237	306	250	1,632	49

(1) Figures are calculated to end-September 1971 at $2.40 = £1; from end-December 1971 to end-December 1972 at $2.6057 = £1 and from end-March 1973 at $2.8952 = £1.
(2) Represents an automatic drawing right on the Fund and equals the amount by which the UK quota exceeds holdings of sterling by the IMF; apart from UK drawings/repurchases, it will rise or fall as other countries draw sterling from or repay sterling to the IMF.
(3) From July 1972, the official reserves were redefined to include the reserve position in the IMF. From end-April to end-June 1972 this stood at £292 million.

Official short and medium-term borrowing (1)

TABLE 23 — End of period — £ million

	IMF (2)	Swiss loan (3)	Other official borrowing(4)		Total
			Foreign currency	Sterling	
1968	1,134	11	211	2,007	3,363
1969	1,104	—	150	1,410	2,664
1970	970	—	—	399	1,369
1971 1st quarter	683	—	—	—	683
2nd quarter	675	—	—	—	675
3rd quarter	415	—	—	—	415
4th quarter	415	—	—	—	415
1972 1st quarter	405	—	—	—	405
2nd quarter	—	—	—	1,001	1,001
3rd quarter	—	—	—	—	—
4th quarter	—	—	—	—	—
1973 1st quarter	—	—	—	—	—
2nd quarter	—	—	—	—	—
3rd quarter	—	—	—	—	—
4th quarter	—	—	—	—	—

(1) Figures are calculated to end-September 1971 at $2.40 = £1 and from end-December 1971 at $2.6057 = £1.
(2) Drawings from the IMF, excluding interest and charges, and net of repayments and drawings of sterling from the IMF by other countries, see Table 16, Official financing, and Table 17, UK account with IMF. From July 1972, excludes transactions affecting the UK gold tranche.
(3) Borrowing from Switzerland, with a sterling counterpart, in parallel with drawings from the IMF under the General Arrangements to Borrow.
(4) Borrowing from other monetary authorities in the form of foreign currency deposits and assistance with a sterling counterpart.

Resources devoted to research and development by manufacturing industry

I. Introduction

Expenditure on scientific research and development by British industry in 1969 amounted to over £700 million, equivalent to nearly 2 per cent of the total gross domestic product. This sum relates to expenditure on research and development in the natural and medical sciences (including engineering) and covers expenditure on basic research, applied research and experimental development; expenditure on research in the social sciences (including economics) is not covered.* Of this expenditure, about 90 per cent was spent within private industry, a further 6 per cent was spent in the laboratories of the public corporations, and the remainder was spent in collaborative research associations and elsewhere. This article deals primarily with the expenditure of that part of private industry which is engaged in manufacturing, to which has been added expenditure by the British Steel Corporation (a public corporation) to give a total for expenditure by manufacturing industry which amounted to some £680 million in 1969. It considers the size of expenditure on research and development in relation to other measures of the activity of individual manufacturing industries; how far expenditure on research and development is affected by cyclical factors; the effect of taking account also of expenditure on licences, royalties, patents, etc.; and the effect of regarding expenditure on research and development as a form of investment.

The earliest records of research activity, covering the whole of British industry, relate to 1930 when a survey was undertaken by the Federation of British Industry. In that year it is estimated that expenditure on research and development was under £3 million. The Second World War increased the tempo of research and development but it is probable that by 1945 the total expenditure on research and development was still only of the order of £30 million. From 1945 to 1955 was a period of extremely rapid growth, and by 1955, to which the first official survey relates, expenditure by manufacturing industry alone had reached about £185 million; unfortunately there is no information available on the changes within this period. The very rapid growth rate continued and by 1958 expenditure by manufacturing industry was over £250 million and by 1961 it was approaching £400 million. During the 1960's the rate of growth slackened off and from 1964 to 1969 the increase averaged around 8 per cent per annum compared with an increase averaging over 10 per cent a year from 1955 to 1964. These increases of course reflect the effect of price increases as well as changes in the 'volume' of expenditure. From 1966 to 1969 the increase in expenditure on research and development no more than kept pace with the increase in the contribution of manufacturing industry to total output; in both 1966 and 1969 expenditure on research and development amounted to about 5¼ per cent of the value added by manufacturing industry (this ratio is discussed in Section II below).

The figures for expenditure on research and development since 1955 by manufacturing industry are shown in Table A. Figures for 1972 will become available later this year. The table also shows to what extent that expenditure was financed by government funds. During this period the funds made available by government grew more slowly than those made available by companies and the share financed by government fell from about two-thirds in 1955 to only one-third in 1969. In the latter years of this period there was an appreciable drop in defence funds for R & D and the increase in the total of government funds was in funds for civil projects; in 1969 little more than half of the funds provided by government were on account of defence.

Expenditure on research and development by manufacturing industry(1)

TABLE A — At current prices — £ million

	Total expenditure	Company funded(2)	Government funded	
			Total	*of which* Defence
1955(3) ..	187	60	127	118
1958(3) ..	266	112	154	142
1961(3) ..	378	223	155	..
1964(3) ..	458	296	162	..
1966 ..	585	390	195	151
1967 ..	609(4)	413(4)	196	131
1968 ..	639(4)	435(4)	204	124
1969 ..	679(4)	457(4)	222	129

(1) The figures relate either to the calendar year or to the firm's accounting year ending between 6 April and 5 April of the following calendar year.
(2) Including a small amount of expenditure funded from overseas.
(3) These figures are not quite as comprehensive as those for later years; in particular the figures before 1964 exclude expenditure contracted out.
(4) Including the British Steel Corporation.

II. The importance of research and development expenditure

In this section comparisons are made between the allocation of resources to research and development and other measures of the activity of individual manufacturing industries. In the main, comparisons are made between expenditure on research and development, other costs

*A full definition and details of the statistics available on research and development will be found in *Research and Development Expenditure*, Studies in Official Statistics No. 21 (HMSO 1973).

and sales in the year 1968. The selection of the year 1968 is determined by its being the year of a detailed census of production for which input-output tables have been prepared. The fact that magnitudes are compared for a single year does not imply that any causal relationships which there may be are constrained within a single year. On the contrary, R & D budgets are influenced by the funds available and hence by the turnover and profits of the preceding year, or years. Equally expenditure on R & D may lead to consequential increases in sales and profits in the following year or in several later years.

The statistics of expenditure on research and development are collected from companies but are related to a product or product group†. It will be appreciated that this breakdown of the data is more informative than allocating the R & D expenditure of a whole company to its main product, that is to its industry as defined by the Standard Industrial Classification. The census of production data are generally based on the industrial classification of the establishment. It follows therefore that if one wishes to examine research and development expenditure in the various product groups in relation to other economic variables which are classified by industry, then the comparison cannot be precise. However, product groups generally correspond quite closely to industries since establishments in manufacturing industry are classified according to their principal product. The comparability of the figures for product groups with those for establishments in the industry is considered in the appendix, which shows that the difference in classification has relatively little effect on the ratio of expenditure on R & D to turnover. Having made this check no further adjustments for these differences in classification are made in this article.

The main components of total R & D expenditure are shown in Table B. 'In house' expenditure carried out within the company is divided between capital and current in order to show separately that part of expenditure which is for capital assets. Looked at in another way, all the expenditure on R & D may be considered as a form of investment in the future and hence as capital expenditure; this aspect is considered in Section V. Current expenditure on R & D includes no allowance for depreciation or capital consumption. For manufacturing as a whole, R & D capital expenditure in 1968 was about 9 per cent of total expenditure on R & D. The 'contracted out' category requires some explanation even though the figures are very small, at about 5 per cent of the total. Research and development work which is contracted out consists of two parts. The first part covers contracts placed within manufacturing industry and therefore contains an element of double counting in much the same way that intra-industry purchases and sales of intermediate goods and services introduce an element of duplication into the figures of turnover. The second part of R & D contracted out consists of contracts placed outside manufacturing industry, as for example when R & D is carried out by research associations or private laboratories on behalf of companies,

†The methods of collection are described in the annexe to *Research and Development Expenditure*, Studies in Official Statistics No. 21 (HMSO 1973) and in *Trade and Industry* for 21 December 1972.

Expenditure on research and development in relation to turnover, 1968

Manufacturing industry

TABLE B

£ million

	Expenditure on R & D				Turnover(1)	R & D as percentage of turnover
	Total	In house		Contracted out		
		Current	Capital			
Food, drink, tobacco	20·9	15·5	3·3	2·1	6,579·6	*0·3*
Coal, petroleum, chemical and allied products:						
Petroleum products	12·6	10·6	1·3	0·7	880·1	*1·4*
Pharmaceutical and toilet preparations	20·2	15·5	3·5	1·3	438·8	*4·6*
Plastics	13·1	9·9	3·2	0·1	449·0	*2·9*
Other chemicals	48·2	40·4	6·6	1·1	2,248·7	*2·1*
Total	94·0	76·3	14·6	3·2	4,016·6	*2·3*
Metal manufacture	17·4	14·5	2·0	0·9	3,324·8	*0·5*
Mechanical engineering:						
Machine tools	5·4	4·5	0·8	0·2	217·2	*2·5*
Industrial engines	7·3	6·9	0·3	0·1	122·0	*6·0*
Other mechanical engineering	40·9	37·4	2·5	1·0	3,173·3	*1·3*
Total	53·6	48·8	3·6	1·3	3,512·5	*1·5*
Instrument engineering	15·2	14·0	0·8	0·4	472·9	*3·2*
Electrical engineering:						
Electronics and telecommunications	121·9	114·5	6·2	1·2	1,005·7	*12·1*
Electrical machinery	17·2	15·6	1·2	0·4	537·3	*3·2*
Other electrical engineering	15·4	14·2	0·9	0·2	1,006·5	*1·5*
Total	154·5	144·3	8·4	1·8	2,549·5	*6·1*
Shipbuilding and marine engineering	2·4	1·9	0·3	0·3	453·5	*0·5*
Motor vehicles	45·7	38·5	5·2	2·0	2,648·0	*1·7*
Aerospace	184·0	152·1	12·6	19·3	862·0	*21·3*
Metal goods not elsewhere specified	7·6	6·6	0·7	0·3	1,949·1	*0·4*
Textiles, clothing, leather, footwear	13·4	11·8	0·9	0·6	3,692·5	*0·4*
Other manufactures	29·7	24·0	3·5	2·3	5,605·0	*0·5*
All manufacturing	638·5	548·1	56·0	34·5	35,666·0	*1·8*

(1) As measured by sales of goods produced and work done. *Report on the Census of Production 1968;* Part 156 Summary tables: Industry analyses (HMSO 1972).

and such expenditure involves no double counting; this expenditure includes subscriptions made to industrial research associations.

The first variable to which expenditure on research and development is related is turnover and the figures are given in Table B. Turnover is defined as sales of goods produced and work done, as in the 1968 Census of Production, excluding the sale of merchanted goods and canteen sales. If gross output, which includes these sales, had been used as the measure of turnover, then the percentages spent on R & D would have been fractionally less than those given in Table B. Turnover includes receipts for work on research and development, for example, in the case of government defence contracts. But in the main turnover relates to the sales of goods produced and their magnitude reflects the costs and benefits of the R & D work of the company, past as well as current.

For manufacturing as a whole the share of turnover taken up by R & D was relatively small, at about $1\frac{3}{4}$ per cent, but the variation from one product group to another was very large. Out of nineteen product groups, six spent less than 1 per cent of turnover on R & D, seven spent from 1 to 3 per cent, four spent between 3 and 10 per cent, one spent 12 per cent, and one over 20 per cent. The six product groups whose R & D expenditure exceeded 3 per cent of turnover were the following: instrument engineering and electrical machinery (3 per cent each), pharmaceutical and toilet preparations (5 per cent), industrial engines (6 per cent), electronics and telecommunications (12 per cent) and finally aerospace (21 per cent). Electronics and aerospace alone accounted for almost half of the total R & D expenditure of manufacturing industry. These are industries to which the government contributes R & D funds on a substantial scale for both defence and for civil purposes. However, it is interesting to note that when government funded expenditure is excluded from R & D and only company funded expenditure is considered then the same six product groups still head the list, but their order is different. Electronics and telecommunications heads the list at 7 per cent and aerospace is second at 5 per cent, and the next four product groups are pharmaceutical and toilet preparations (5 per cent), industrial engines (4 per cent), electrical machinery (3 per cent) and instrument engineering (2 per cent). The numerator and denominator of these percentages are on different bases in that the turnover figures have not been altered to exclude sales to or work done for the government, but they still serve to illustrate the fact that certain product groups are very R & D intensive, with or without government R & D expenditure in industry. Government R & D expenditure is accompanied by relatively large R & D funds from the industries themselves.

It is necessary to point out that these percentages of R & D expenditure to turnover are only crude indicators of the relative position of R & D expenditure, and are subject to a number of limitations. First, they are averages across the whole of the sales of the product group and take account not only of the research activity of companies which undertake R & D but of its spread

Expenditure on research and development in relation to net output or value added, 1968

TABLE C

Manufacturing industry

	Total expenditure on R & D	Net output (1)	R & D as percentage of net output	Value added(2)	R & D as percentage of value added
	£ million			£ million	
Food, drink, tobacco	20·9	1,841·4	*1·1*	1,314·4	*1·6*
Coal, petroleum, chemical and allied products:					
Petroleum products	12·6	109·0	*11·6*	92·2	*13·7*
Pharmaceutical and toilet preparations	20·2	264·9	*7·6*	171·8	*11·8*
Plastics	13·1	197·1	*6·6*	151·7	*8·6*
Other chemicals	48·2	944·7	*5·1*	648·6	*7·4*
Total	94·0	1,515·7	*6·2*	1,064·3	*8·8*
Metal manufacture	17·4	1,069·0	*1·6*	815·4	*2·1*
Mechanical engineering:					
Machine tools	5·4	136·9	*3·9*	110·9	*4·9*
Industrial engines	7·3	63·7	*11·5*	50·2	*14·5*
Other mechanical engineering	40·9	1,762·4	*2·3*	1,482·7	*2·8*
Total	53·6	1,963·0	*2·7*	1,643·8	*3·3*
Instrument engineering	15·2	299·3	*5·1*	243·1	*6·3*
Electrical engineering:					
Electronics and telecommunications	121·9	593·6	*20·5*	454·1	*26·8*
Electrical machinery	17·2	312·8	*5·5*	254·6	*6·8*
Other electrical engineering	15·4	468·9	*3·3*	349·1	*4·4*
Total	154·5	1,375·3	*11·2*	1,057·8	*14·6*
Shipbuilding and marine engineering	2·4	273·6	*0·9*	265·6	*0·9*
Motor vehicles	45·7	1,042·8	*4·4*	759·1	*6·0*
Aerospace	184·0	478·2	*38·5*	336·7	*54·6*
Metal goods not elsewhere specified	7·6	921·4	*0·8*	734·3	*1·0*
Textiles, clothing, leather, footwear	13·4	1,614·1	*0·8*	1,269·1	*1·1*
Other manufactures	29·7	2,895·4	*1·0*	2,362·4	*1·3*
All manufacturing	638·5	15,289·0	*4·2*	11,866·0	*5·4*

(1) As shown in *Report on the Census of Production 1968;* Part 156 Summary tables: Industry analyses (HMSO 1972).
(2) As shown in *Input-output tables for the United Kingdom 1968*, Studies in Official Statistics No. 22 (HMSO 1973).

across the sales of establishments which do no R & D work. Although this comment is made in the context of the R & D/turnover ratio, it also applies to subsequent ratios. Second, while the possible amount of duplication in the R & D figures is small, the industrial turnover figures from the census of production contain a varying amount of duplication, as they include sales between establishments in the same industry. Third, the ratio of R & D to turnover is affected by the amount of intermediate products used in production. Where industry is specialised and different parts of the production process are carried out in different industries, research and development expenditure may take place in the industry producing the intermediate products rather than in the industry making the sale to the final buyer. For example, the value of sales of food products may reflect an element of the cost of research and development carried out in the chemical industry by way of the products brought in from that industry. Again in the textiles industry, the R & D within that industry may represent little more than the peak of a pyramid, with research and development also having taken place in, for example, the textile machinery industry and in the chemical industry.

Some of these limitations can be overcome by relating R & D expenditure not to the turnover of the industry but to a measure of the amount by which the industry augments the value of the materials and services it buys in making its product. This relationship is shown in Table C. In the census of production, net output is defined by subtracting from turnover the cost of purchases of materials and fuel and of work given out and making some other minor adjustments. R & D expenditure is compared with net output in the first part of the table. In the second part of the table, R & D is compared with the value added which differs from net output mainly by excluding purchases of services; it consists of the income from employment and the gross trading profits arising in the industry. In both cases the R & D expenditure in the numerator includes purchases of materials and equipment which are excluded from the denominator. But the ratio is of interest in showing the amount of R & D expenditure associated with a given net output or value added by the industry. By multiplying these percentages by 10 they are expressed in the form of the requirement per £1,000 of net output or value added, a presentation used in the input-output tables.

Table C shows that for manufacturing industry as a whole R & D expenditure was about 4¼ per cent of net output or 5½ per cent of value added, compared with 1¾ per cent for turnover. The differences arise from the exclusion of purchases from the denominator—more in the case of value added than in the case of net output. The ranking of the product groups for the two ratios is similar, as might be expected from the relatively small difference in their definition. (See Table I in Section VI.)

The increase in the average importance of R & D when measured in terms of value added as opposed to turnover is accompanied by an increase in the range of variation between product groups. Aerospace and electronics and telecommunications are still the two product groups where R & D is most important, but the percentages have

Expenditure on research and development as a percentage of total expenditure, 1968

Manufacturing industry

TABLE D

	Wages and salaries			Materials and equipment			Capital expenditure		
	R & D only	Total(1)	R & D as percentage of total	R & D only	Total(1)	R & D as percentage of total	R & D only	Total(1)	R & D as percentage of total
	£ million			£ million			£ million		
Food, drink, tobacco	9·7	712·8	*1·4*	3·0	3,129·9	*0·1*	3·3	199·3	*1·7*
Coal, petroleum, chemical and allied products:									
Petroleum products	7·3	23·9	*30·5*	1·3	768·9	*0·2*	1·3	86·2	*1·5*
Pharmaceutical and toilet preparations	8·8	79·7	*11·0*	2·1	185·6	*1·1*	3·5	21·1	*16·6*
Plastics	5·8	72·2	*8·0*	1·8	245·8	*0·7*	3·2	38·2	*8·4*
Other chemicals	25·6	351·6	*7·3*	5·8	1,298·4	*0·4*	6·6	165·6	*4·0*
Total	47·5	527·4	*9·0*	11·0	2,498·7	*0·4*	14·6	311·1	*4·7*
Metal manufacture	8·8	601·5	*1·5*	2·3	2,240·5	*0·1*	2·0	123·2	*1·6*
Mechanical engineering:									
Machine tools	2·7	79·2	*3·4*	1·1	89·1	*1·2*	0·8	13·7	*5·8*
Industrial engines	2·8	35·8	*7·8*	2·9	58·0	*5·0*	0·3	2·8	*10·7*
Other mechanical engineering	20·8	942·7	*2·2*	9·3	1,342·6	*0·7*	2·5	113·2	*2·2*
Total	26·3	1,057·7	*2·5*	13·3	1,489·7	*0·9*	3·6	129·7	*2·8*
Instrument engineering	7·8	166·7	*4·7*	2·7	184·7	*1·5*	0·8	18·1	*4·4*
Electrical engineering:									
Electronics and telecommunications	59·1	308·2	*19·2*	28·6	444·2	*6·4*	6·2	42·4	*14·6*
Electrical machinery	8·5	172·9	*4·9*	3·9	208·3	*1·9*	1·2	14·2	*8·5*
Other electrical engineering	9·3	235·2	*4·0*	2·3	533·0	*0·4*	0·9	36·3	*2·5*
Total	77·0	716·3	*10·7*	34·9	1,185·5	*2·9*	8·4	92·9	*9·0*
Shipbuilding and marine engineering	1·0	203·3	*0·5*	0·3	193·7	*0·2*	0·3	24·9	*1·2*
Motor vehicles	23·8	601·6	*4·0*	7·4	1,632·2	*0·5*	5·2	83·8	*6·2*
Aerospace	74·0	280·2	*26·4*	45·8	259·6	*17·6*	12·6	30·9	*40·8*
Metal goods not elsewhere specified	4·2	494·3	*0·8*	1·1	1,016·2	*0·1*	0·7	73·8	*0·9*
Textiles, clothing, leather, footwear	7·0	866·4	*0·8*	2·5	2,015·6	*0·1*	0·9	146·8	*0·6*
Other manufactures	14·5	1,539·4	*0·9*	4·6	2,501·5	*0·2*	3·5	290·5	*1·2*
All manufacturing	301·7	7,768·0	*3·9*	128·9	18,348·0	*0·7*	56·0	1,525·0	*3·7*

(1) As shown in *Report on the Census of Production 1968;* Part 156 Summary tables: Industry analyses (HMSO 1972).

increased to about 55 per cent and 27 per cent, from 21 per cent and 12 per cent in turnover terms. The next four product groups in terms of importance of R & D are now industrial engines (15 per cent), petroleum products (14 per cent), pharmaceutical and toilet preparations (12 per cent), and plastics (9 per cent).

Another way to look at the importance of expenditure on R & D is to study what proportion of the total inputs of industry are absorbed by research and development activities. Table D shows that the share of R & D was more important for the input of labour than for materials and equipment, and for manufacturing industry as a whole the salaries and wages of research and development staff amounted to close to 4 per cent of the total wages and salaries bill. Again, there were wide variations between product groups: for petroleum products the share was 30 per cent, for aerospace it was 26 per cent and for electronics and telecommunications it was 19 per cent.

Materials and equipment purchased for R & D purposes formed a comparatively small proportion of all purchases, at least by comparison with salaries and wages, amounting to about ¾ per cent compared with close to 4 per cent. In some product groups, however, the R & D share of materials and equipment was substantial—notably aerospace at 18 per cent where much of the R & D expenditure is for prototype aircraft and engines. Purchases of materials and equipment for R & D were also relatively important in electronics and telecommunications, and industrial engines.

The share of capital expenditure attributable to R & D in 1968 was similar to the share of salaries and wages for manufacturing as a whole at about 3¾ per cent. There is a slight upward bias in this percentage of total capital expenditure which is allocated to R & D because the information on R & D capital expenditure is available for acquisitions only, while the information on total capital expenditure for each industry, derived from the census of production, represents the balance obtained by subtracting disposals from acquisitions of assets. However the bias is very small in quantitative terms. Again in aerospace the ratio is high—over 40 per cent. This is because investment in the jigs and tools needed to produce a particular type of aircraft is normally included in the development costs; in other industries similar expenditure would not be allocated to R & D.

The wide variation in the importance of R & D as between the various product groups is common to all the ratios which have been considered. By contrast, the composition of that R & D expenditure is broadly similar for most product groups, as is shown by Table E. On average for all product groups expenditure on wages and salaries accounts for almost half of R & D expenditure, with a range of 40 to 60 per cent. This reflects the fact that R & D is a highly labour intensive activity. However, there are some exceptions to the general pattern, notably industrial engines which is outside the range of 40 to 60 per cent for salaries and wages and where materials and equipment account for 40 per cent of total expenditure compared with a range of 10 to 25 per cent for the other product groups.

Composition of total expenditure on research and development, 1968

Manufacturing industry

TABLE E

	Total expenditure	Current expenditure			Capital expenditure	Contracted out
		Wages and salaries	Materials and equipment	Other		
	£ million	Percentages of total expenditure				
Food, drink, tobacco	20·9	46	14	13	16	10
Coal, petroleum, chemical and allied products:						
Petroleum products	12·6	58	10	16	10	6
Pharmaceutical and toilet preparations	20·2	44	10	22	17	6
Plastics	13·1	44	14	17	24	1
Other chemicals	48·2	53	12	19	14	2
Total	94·0	50	12	19	16	3
Metal manufacture	17·4	51	13	20	11	5
Mechanical engineering:						
Machine tools	5·4	50	20	11	15	4
Industrial engines	7·3	38	40	15	4	1
Other mechanical engineering	40·9	51	23	18	6	2
Total	53·6	49	25	17	7	2
Instrument engineering	15·2	51	18	23	5	3
Electrical engineering:						
Electronics and telecommunications	121·9	48	24	22	5	1
Electrical machinery	17·2	49	23	19	7	2
Other electrical engineering	15·4	61	15	17	6	1
Total	154·5	50	23	21	5	2
Shipbuilding and marine engineering	2·4	41	12	24	13	11
Motor vehicles	45·7	52	16	16	11	4
Aerospace	184·0	40	25	17	7	10
Metal goods not elsewhere specified	7·6	55	14	17	9	4
Textiles, clothing, leather, footwear	13·4	53	19	17	7	4
Other manufactures	29·7	48	15	16	12	8
All manufacturing	638·5	47	20	18	9	5

III. The financing of expenditure on research and development

This section considers the relationship between company profits and company funds spent on R & D. Company funds spent on R & D exclude throughout funds from the government but may include a small amount of funds from abroad. Company profits are gross trading profits before tax and before allowing for depreciation. Table F shows that for manufacturing in general, company funded R & D in 1968 was a figure equivalent to 13 per cent of gross trading profits. But once again the relationship varies tremendously from product group to product group, and far more so than any other relationship which has been considered. In the case of aerospace, company funded R & D expenditure was over twice as large as gross trading profits while the next largest ratio, in electronics and telecommunications, was about two-thirds. However, this ratio is likely to vary from year to year as profits show a good deal of cyclical variation.

Company funded expenditure on research and development in relation to gross trading profits, 1968

Manufacturing industry

TABLE F

	Company funded expenditure on R & D(1)	Gross trading profits(2)	Company funded R & D as percentage of profits
	£ million		
Food, drink, tobacco	20·9	525·5	*4·0*
Coal, petroleum, chemical and allied products:			
Petroleum products	12·5	57·3	*21·8*
Pharmaceutical and toilet preparations	20·1	81·6	*24·6*
Plastics	12·8	71·6	*17·9*
Other chemicals	46·7	265·5	*17·6*
Total	92·1	476·0	*19·3*
Metal manufacture	17·2	161·4	*10·7*
Mechanical engineering:			
Machine tools	5·1	23·0	*22·2*
Industrial engines	5·5	10·5	*52·4*
Other mechanical engineering	35·3	436·7	*8·1*
Total	45·9	470·2	*9·8*
Instrument engineering	12·3	55·3	*22·2*
Electrical engineering:			
Electronics and telecommunications	73·2	106·8	*68·5*
Electrical machinery	16·8	62·3	*27·0*
Other electrical engineering	14·4	89·8	*16·0*
Total	104·4	258·9	*40·3*
Shipbuilding and marine engineering	1·7	45·1	*3·8*
Motor vehicles	44·3	124·5	*35·6*
Aerospace	45·4	21·7	*209·2*
Metal goods not elsewhere specified	7·5	185·8	*4·0*
Textiles, clothing, leather, footwear	13·4	308·7	*4·3*
Other manufactures	29·6	648·9	*4·6*
All manufacturing	434·6	3,282·0	*13·2*

(1) Including capital expenditure and expenditure contracted out.
(2) As shown in *Input-output tables for the United Kingdom 1968*, Studies in Official Statistics No. 22 (HMSO 1973).

Charts 1 to 3 show the year to year movements in profits and compare them with changes in fixed investment and expenditure on R & D with a view to assessing whether the latter also shows any cyclical fluctuation. The cyclical variation in profits shows up clearly and so does that in fixed investment, which has lagged that of profits by about a year. However, the extent of cyclical variations in company funds spent on R & D is unclear, partly because information is not available for several of the years. The rate of increase from 1964 to 1966 averaged 14½ per cent a year and was greater than between 1961 and 1964 when it averaged 10 per cent, but the difference in the rate of growth was not as marked as for fixed investment for which the corresponding rates of increase were 11 per cent and minus one-half per cent. From 1966 to 1969 annual figures are available for expenditure on R & D and there are indications that in some industries (for example, electrical and mechnical engineering) expenditure on R & D was influenced by the cycle and its growth curtailed in 1967. Other product groups were less affected but the rate of increase of the total of R & D expenditure financed by all manufacturing industry was reduced to 6 per cent, in a year when expenditure on fixed investment fell. However, the rate of increase in company funded R & D in the two following years, when there was a recovery in fixed investment, was similar (5½ per cent and 5 per cent). These figures therefore suggest that R & D budgets were influenced by cyclical factors but that companies in general varied less the sums they spent on R & D than those on fixed investment. However, in the absence of a complete series of annual statistics on R & D expenditure it is not possible to reach firm conclusions from the data.

An increase in the importance of company funded expenditure on R & D in relation to gross trading profit is, however, shown clearly in Chart 2. In the early 1960's company funded expenditure on R & D was about 10 per cent of gross trading profits on the information available. From 1966 to 1969 inclusive, the percentage was between 12½ and 13½ per cent.

IV. Expenditure on licences, royalties, patents, etc.

Expenditure on licences, royalties, patents, etc. may be regarded as an extension of R & D expenditure; such expenditure is an alternative way of obtaining technology enhancement, by purchasing the results of research and development already carried out by others in the past. As part of the business expenditure and receipts inquiry in 1968, expenditure was reported on licences, royalties, patents, etc. which amounted to just over £100 million for manufacturing industry as a whole compared with about £640 million on research and development. Licence expenditure, on average, was therefore about one-sixth of R & D expenditure. In Table G licence payments for individual product groups are shown and are also expressed as percentages of turnover. In some product groups such as industrial engines, instrument engineering, electronics, motor vehicles and aerospace, the licence expenditure is relatively less important in relation to R & D expenditure. In other product groups—notably pharmaceutical products and 'other mechanical engineering'—expenditure on licences is larger in relation

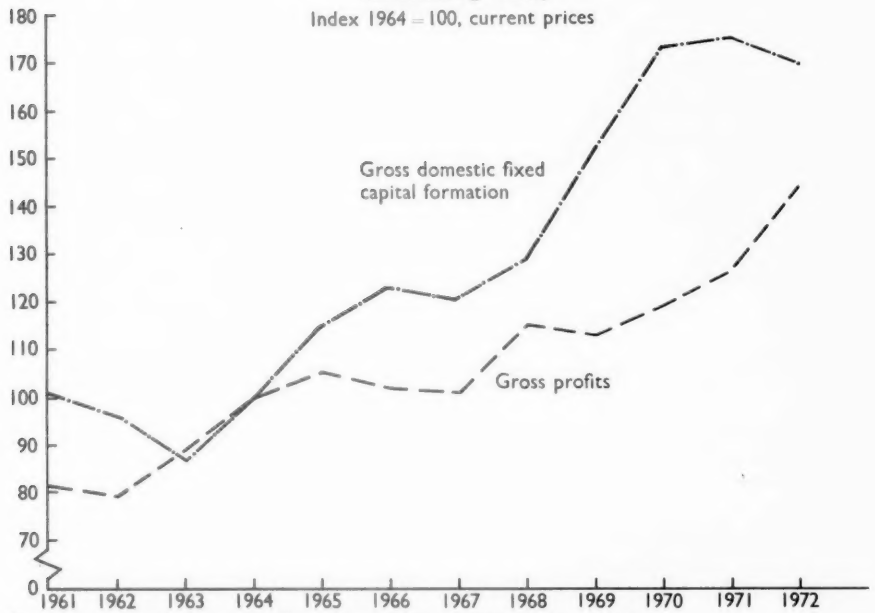
CHARTS 1 & 2

CHART 1

Company profits and fixed capital formation

Manufacturing industry

Index 1964 = 100, current prices



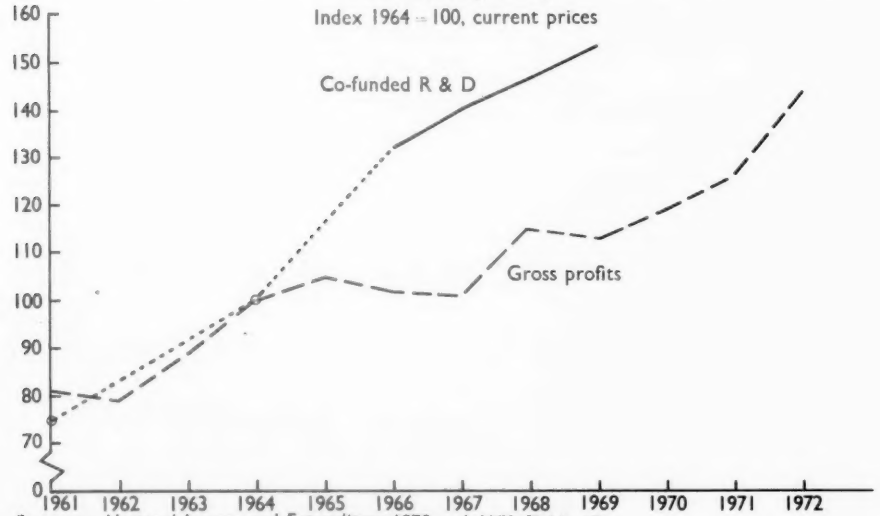
Sources : *National Income and Expenditure 1972* and *1973* Tables 17 and 54

CHART 2

Company profits and company funded research and development expenditure

Manufacturing industry

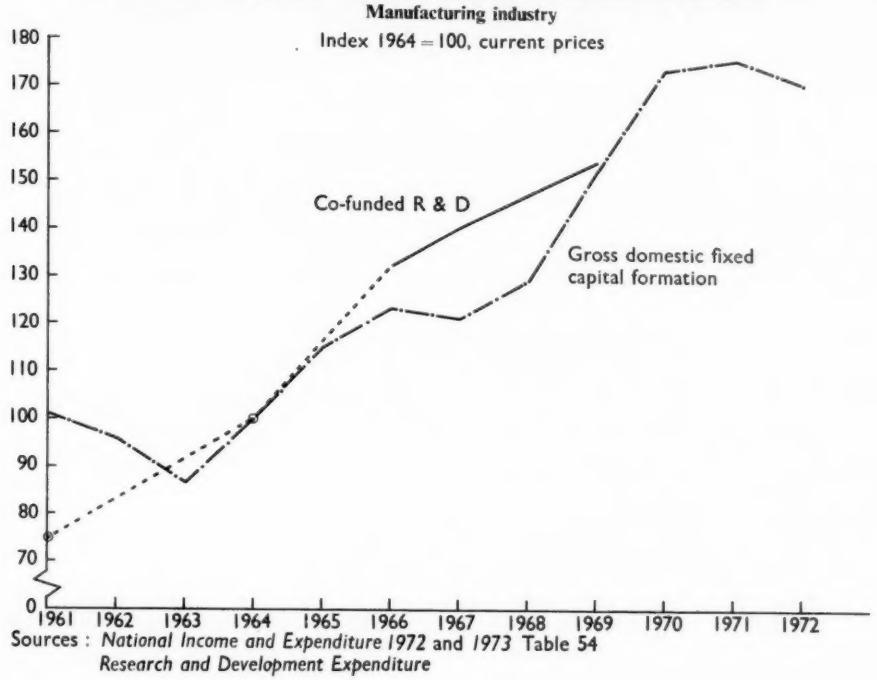
Index 1964 = 100, current prices



Sources : *National Income and Expenditure 1972* and *1973* Table 17
Research and Development Expenditure

Fixed capital formation and research and development expenditure CHART 3

Manufacturing industry



Sources : *National Income and Expenditure 1972* and *1973* Table 54
Research and Development Expenditure

to expenditure on R & D. Almost a third of all expenditure on licences occurred in mechanical engineering. Like expenditure on R & D, the figures of licence payments were collected on a product group basis, and in the results of the census of production the detailed classification of these payments indicates that nearly 20 per cent of all the licence payments occurred in the single sub-group entitled 'general mechanical engineering', which is part of 'other mechanical engineering' in Table G.

Expenditure on research and development and licence payments in relation to turnover, 1968

Manufacturing industry

TABLE G

	Licence payments(1)	Expenditure on R & D	Total	Licence payments	Expenditure on R & D	Total
	£ million			As a percentage of turnover(2)		
Food, drink, tobacco	3·7	20·9	24·6	*0·1*	*0·3*	*0·4*
Coal, petroleum, chemical and allied products:						
Petroleum products	0·6	12·6	13·2	*0·1*	*1·4*	*1·5*
Pharmaceutical and toilet preparations	9·6	20·2	29·8	*2·2*	*4·6*	*6·8*
Plastics	2·1	13·1	15·2	*0·5*	*2·9*	*3·4*
Other chemicals	7·3	48·2	55·5	*0·3*	*2·1*	*2·5*
Total	19·6	94·0	113·6	*0·5*	*2·3*	*2·8*
Metal manufacture	1·5	17·4	18·9	—	*0·5*	*0·6*
Mechanical engineering:						
Machine tools	1·0	5·4	6·4	*0·5*	*2·5*	*2·9*
Industrial engines	0·2	7·3	7·5	*0·2*	*6·0*	*6·1*
Other mechanical engineering	30·2	40·9	71·1	*1·0*	*1·3*	*2·2*
Total	31·4	53·6	85·0	*0·9*	*1·5*	*2·4*
Instrument engineering	1·8	15·2	17·0	*0·4*	*3·2*	*3·6*
Electrical engineering:						
Electronics and telecommunications	14·9	121·9	136·8	*1·5*	*12·1*	*13·6*
Electrical machinery	2·9	17·2	35·5	*0·2*	*3·2*	*2·3*
Other electrical engineering		15·4			*1·5*	
Total	17·8	154·5	172·3	*0·7*	*6·1*	*6·8*
Shipbuilding and marine engineering	1·0	2·4	3·4	*0·2*	*0·5*	*0·7*
Motor vehicles	2·9	45·7	48·6	*0·1*	*1·7*	*1·8*
Aerospace	2·0	184·0	186·0	*0·2*	*21·3*	*21·6*
Metal goods not elsewhere specified	2·7	7·6	10·3	*0·1*	*0·4*	*0·5*
Textiles, clothing, leather, footwear	5·0	13·4	18·4	*0·1*	*0·4*	*0·5*
Other manufactures	13·9	29·7	43·6	*0·2*	*0·5*	*0·8*
All manufacturing	103·2	638·5	741·7	*0·3*	*1·8*	*2·1*

(1) As shown in *Report on the Census of Production 1968;* Part 156 Summary tables: Industry analyses (HMSO 1972).
(2) Turnover figures are given in Table B.

V. Expenditure on research and development as a form of investment

For some purposes expenditure on research and development can be considered as a form of investment—the return to the company from this expenditure is not immediate and is usually long-term and in this respect it is akin to expenditure on fixed assets. It is interesting to note, from Chart 3 that for the whole of manufacturing industry, company funds allocated to R & D increased faster during the first half of the 1960's than those allocated to fixed capital formation. In 1961, company-funded R & D was less than 20 per cent of fixed capital formation and by 1966 the percentage was nearly 26 per cent. However, after a peak of nearly 28 per cent in 1967 the proportion dropped to less than 25 per cent in 1969 with the cyclical increase in fixed investment.

Table H shows the effect on the distribution of total manufacturing investment in 1968 of including with fixed capital expenditure, company funded current expenditure on R & D. Only the company funded element of R & D expenditure has been included in Table H, rather than total expenditure, because expenditure funded by the government can be regarded as a purchase by the government of the R & D services provided by industry rather than investment by the firm which is financed by the government. Also, a large part of the government funded R & D is for defence which, at least in national accounting terms, is not regarded as capital expenditure. Since some expenditure on R & D is capital expenditure (see Table B in Section II), capital expenditure on R & D has been deducted from the total of company funded R & D in order to avoid double counting. The fact that some capital expenditure on R & D may be government funded and this deduction may therefore be too large has been ignored.

It can be seen that the distribution of company funded current expenditure on R & D is appreciably different from that of fixed capital expenditure. It should be noted that in several product groups—industrial engines, electronics and telecommunications, electrical machinery and aerospace—company funded current expenditure on R & D exceeds that on fixed assets. In consequence, the combined distribution of the two shows some appreciable differences from that of fixed investment alone. Whereas electronics and telecommunications accounted for only $2\frac{3}{4}$ per cent of the fixed capital expenditure of manufacturing industry it accounted for $5\frac{3}{4}$ per cent of the combined figure. The share of aerospace goes up from 2 per cent to $3\frac{1}{4}$ per cent. Appreciable decreases in the share are shown for food, drink and tobacco (from 13 per cent to $11\frac{1}{2}$ per cent), for textiles, clothing, leather and footwear (from $9\frac{1}{2}$ per cent to $8\frac{1}{2}$ per cent), and for other manufactures (from 19 per cent to $16\frac{1}{2}$ per cent).

An alternative presentation of how the combination of R & D expenditure with fixed capital expenditure alters the order of size of the various product groups is

Distribution of fixed capital formation and company funded current expenditure on research and development

Manufacturing industry

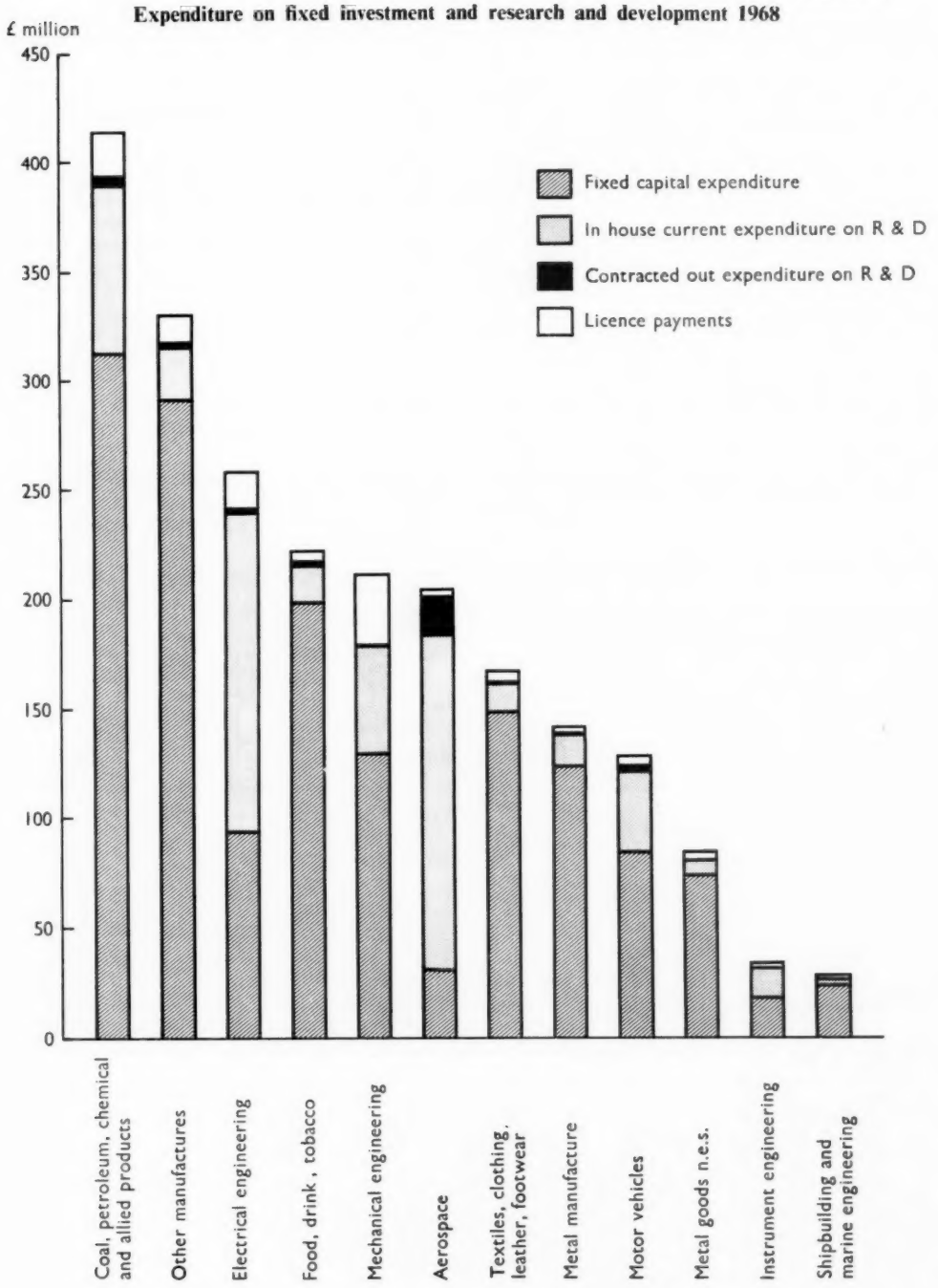
TABLE H

	Fixed capital expenditure (net)[1]	Company funded current expenditure on R & D[2]	Total	Fixed capital expenditure (net)[1]	Company funded current expenditure on R & D[2]	Total
	£ million			Percentage of total for all manufacturing		
Food, drink, tobacco	199·3	17·6	216·9	*13·1*	*4·6*	*11·4*
Coal, petroleum, chemical and allied products:						
Petroleum products	86·2	11·2	97·4	*5·7*	*3·0*	*5·1*
Pharmaceutical and toilet preparations	21·1	16·6	37·7	*1·4*	*4·4*	*2·0*
Plastics	38·2	9·6	47·8	*2·5*	*2·5*	*2·5*
Other chemicals	165·6	40·1	205·7	*10·9*	*10·6*	*10·8*
Total	311·1	77·5	388·6	*20·4*	*20·5*	*20·4*
Metal manufacture	123·2	15·2	138·4	*8·1*	*4·0*	*7·3*
Mechanical engineering:						
Machine tools	13·7	4·3	18·0	*0·9*	*1·1*	*0·9*
Industrial engines	2·8	5·2	8·0	*0·2*	*1·4*	*0·4*
Other mechanical engineering	113·2	32·8	146·0	*7·4*	*8·7*	*7·7*
Total	129·7	42·3	172·0	*8·5*	*11·2*	*9·0*
Instrument engineering	18·1	11·5	29·6	*1·2*	*3·0*	*1·6*
Electrical engineering:						
Electronics and telecommunications	42·4	67·0	109·4	*2·8*	*17·7*	*5·7*
Electrical machinery	14·2	15·6	29·8	*0·9*	*4·1*	*1·6*
Other electrical engineering	36·3	13·5	49·8	*2·4*	*3·6*	*2·6*
Total	92·9	96·0	188·9	*6·1*	*25·3*	*9·9*
Shipbuilding and marine engineering	24·9	1·4	26·3	*1·6*	*0·4*	*1·4*
Motor vehicles	83·8	39·1	122·9	*5·5*	*10·3*	*6·5*
Aerospace	30·9	32·8	63·7	*2·0*	*8·7*	*3·3*
Metal goods not elsewhere specified	73·8	6·8	80·6	*4·8*	*1·8*	*4·2*
Textiles, clothing, leather, footwear	146·8	12·5	159·3	*9·6*	*3·3*	*8·4*
Other manufactures	290·5	26·1	316·6	*19·0*	*6·9*	*16·6*
All manufacturing	1,525·0	378·7	1,903·7	*100·0*	*100·0*	*100·0*

(1) As shown in *Report on the Census of Production 1968;* Part 156 Summary tables: Industry analyses (HMSO 1972).
(2) Total company funded expenditure including work contracted out (shown in Table F) *less* total capital expenditure on R & D (shown in Table B).

CHART 4

Expenditure on fixed investment and research and development 1968



Ranking of product groups according to the position of research and development expenditure, 1968

Manufacturing industry

TABLE I

	R & D as percentage of turnover	R & D as percentage of net output	R & D as percentage of value added	R & D as percentage of wages and salaries	R & D as percentage of materials purchased	R & D as percentage of capital expenditure	Co-funded R & D as percentage of gross trading profits	R & D and licence payments as percentage of turnover
	Table B	Table C		Table D			Table F	Table G
Food, drink, tobacco	19	15	15	15	19	13	18	19
Petroleum products	12	3	4	1	14	15	9	13
Pharmaceutical and toilet preparations	4	5	5	4	7	2	6	3
Plastics	7	6	6	5	8	6	10	6
Other chemicals	9	9	7	7	11	10	11	8
Metal manufacture	16	14	14	14	18	14	13	16
Machine tools	8	11	11	12	6	8	8	7
Industrial engines	3	4	3	6	3	4	3	4
Other mechanical engineering	13	13	13	13	9	12	14	11
Instrument engineering	5	8	9	9	5	9	7	5
Electronics and telecommunications	2	2	2	3	2	3	2	2
Electrical machinery	6	7	8	8	4	5	5	9
Other electrical engineering	11	12	12	11	12	11	12	10
Shipbuilding and marine engineering	15	17	19	19	15	16	19	15
Motor vehicles	10	10	10	10	10	7	4	12
Aerospace	1	1	1	2	1	1	1	1
Metal goods not elsewhere specified	17	18	17	17	17	18	17	17
Textiles, clothing, leather, footwear	18	19	18	18	16	19	16	18
Other manufactures	14	16	16	16	13	16	15	14

given in Chart 4. In this chart all current expenditure on R & D has been taken into account, including that funded by the government and from overseas, and licence payments have also been included. For the twelve product groups distinguished in the chart, the expenditure on coal, petroleum, chemical and allied products was greatest on fixed investment alone and in total, and expenditure on other manufactures was next in order of size. But whereas electrical engineering was seventh in order of size for expenditure on fixed investment alone, it was third when the various forms of expenditure on research and development are also taken into account. The other major change in the order of size of expenditure is aerospace, which had relatively small expenditure on fixed investment alone but came sixth in order of size when expenditure on research and development is included.

VI. Conclusions

One of the most noticeable features of this analysis has been the regularity with which particular product groups have been shown to be the most R & D intensive. Even when a variety of indicators have been used to estimate the share of resources allocated to R & D, and the actual percentages have changed as a result, still the relative position of the various groups has changed comparatively little. To illustrate this point in a simple way, Table I shows the ranking of the product groups for most of the ratios, thereby bringing many of the tables together. The general pattern is fairly clear: aerospace, electronics and telecommunications, and industrial engines are generally the first three product groups. However, there is one noticeable exception in the case of petroleum products; for this product group there is a distinct difference between its ranking for the measures which include the value of materials purchased and those which do not. The higher ranking when purchases of materials are excluded reflects the small net output of this industry in relation to the materials it uses.

When R & D expenditure is considered as a form of investment and combined with fixed capital expenditure, the order of importance of the various product groups is appreciably different from that when fixed investment is considered alone. The inclusion of expenditure on licences, royalties, patents, etc., further changes the order of the size of expenditure but to a much smaller extent. For industries whose technology is developing and where research is being undertaken into new products and processes, expenditure on fixed investment alone is not indicative of the resources which are being devoted to maintaining and improving productive capacity.

Department of Industry

APPENDIX

Correspondence between figures for product groups and those for industries

In relating the figures for expenditure on research and development to other variables, their sub-division by product group brings some difficulties because most other variables are aggregated for establishments within a given industry. However, product groups generally correspond quite closely to industries, since establishments in manufacturing industry are basically defined in terms of their principal products. For exact comparability from each industry as shown in the census of production 'non-typical' products must be transferred out to their appropriate product category, while 'typical' products from other industry headings must be transferred in. If these are in balance, or nearly so, there is no effect on the relationship of R & D expenditure to the economic variable being examined.

The table below shows the results of making such an adjustment to the figures of turnover in the 1963 Census of Production and the consequential effects on a ratio of expenditure on research and development to turnover. Of the twenty-one products shown, in fifteen the ratio of R & D expenditure to turnover of the industry was the same to one decimal place as that to the turnover of the product group. In four of the remaining product groups there was a difference of only one in the first decimal place. The higher differences were in petroleum products (0·2) and electronics (0·4).

Even the largest of these differences is small in relation to the wide variation between industries in the ratio of R & D expenditure to turnover, which ranges from over 25 per cent in aerospace to less than 1 per cent in eleven of the twenty-one product groups.

Effect of classification by product group instead of industry

	Expenditure on R & D in 1964	Turnover in 1963			Expenditure on R & D as a percentage of turnover		
		Industry		Product group	Industry		Product group
		Total	Principal product		Total	Principal product	
	£ million						
Food, drink, tobacco	13·7	4,499	4,479	4,524	*0·30*	*0·31*	*0·30*
Petroleum products	9·9	505	454	462	*1·96*	*2·18*	*2·14*
Chemicals and allied products	55·1	2,259	2,144	2,265	*2·44*	*2·57*	*2·43*
Iron and steel	10·5	1,797	1,736	1,773	*0·58*	*0·60*	*0·59*
Other metals	4·2	701	662	710	*0·60*	*0·63*	*0·59*
Mechanical engineering	31·2	2,477	2,304	2,530	*1·26*	*1·35*	*1·23*
Scientific instruments	10·4	251	232	251	*4·14*	*4·48*	*4·14*
Electronics	70·6	682	618	653	*10·35*	*11·42*	*10·81*
Electrical engineering	26·5	1,061	965	1,034	*2·50*	*2·75*	*2·56*
Shipbuilding and marine engineering	3·0	418	386	413	*0·72*	*0·78*	*0·73*
Motor vehicles	32·3	1,909	1,802	1,832	*1·69*	*1·79*	*1·76*
Aerospace	138·5	546	531	546	*25·37*	*26·08*	*25·37*
Other vehicles	0·8	208	186	213	*0·38*	*0·43*	*0·38*
Metal goods not elsewhere specified	6·4	1,629	1,545	1,641	*0·39*	*0·41*	*0·39*
Textiles	11·1	2,079	2,063	2,080	*0·53*	*0·54*	*0·53*
Clothing, leather, footwear	1·2	999	994	1,004	*0·12*	*0·12*	*0·12*
Stone and clay products	7·4	754	720	747	*0·98*	*1·03*	*0·99*
Timber, furniture, etc.	1·5	651	633	650	*0·23*	*0·24*	*0·23*
Paper, printing, publishing	3·1	1,628	1,608	1,623	*0·19*	*0·19*	*0·19*
Rubber and rubber products	4·7	352	325	338	*1·34*	*1·45*	*1·39*
Other manufactures	3·2	423	395	449	*0·76*	*0·81*	*0·71*

CHARTS AND TABLES

The purpose of the charts and tables is to provide the broad background to the trends of the economy rather than to give detailed information about particular series (for which the *Monthly Digest of Statistics* and other publications may be consulted). Economically related series are grouped together and consequently the same series may appear on more than one page.

Most series are seasonally adjusted, that is, normal seasonal changes have as far as possible been removed from the figures; by this means movements in different periods may more readily be compared, but it must be borne in mind that the seasonal adjustments are subject to some uncertainties. For series which still show considerable short-term fluctuations after seasonal adjustment a trend line has been fitted by the use of weighted moving averages.

For convenience of comparison, index numbers in some charts and tables are referred to a common date as base which differs from the original base dates to which their weighting applies.

In order that recent movements may be seen in perspective most of the charts cover a long run of years, but some of the series (for example, measures of volume or of price changes) may provide only a broad guide to changes over long periods.

Logarithmic scales are used in charts where the main purpose is to compare the slopes of series which are very different in magnitude.

Except where otherwise stated, monthly and quarterly figures relate to totals for the period and are not converted to annual rates. The statistics relate mainly to the United Kingdom of Great Britain and Northern Ireland; where figures are for Great Britain only, this is indicated on the table.

In tables where figures have been rounded to the nearest final digit, there may be an apparent slight discrepancy between the sum of the constituent items and the total as shown. The following symbols are used in the tables:

..	not available
—	nil or less than half the final digit shown
§	series for which measures of variability are given on page 42

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Main economic series

All series are seasonally adjusted unless otherwise stated

	Gross domestic product at factor cost at 1970 prices (1) §				Index of industrial production §		Employed labour force (2)	Output per person employed at 1970 prices			Wages and salaries per unit of output	Unemployed excluding school-leavers and adult students (UK)(5)	
	Expenditure based	Income based (3)	Output based	Average estimate	All industries	Manufacturing industries		Gross domestic product (Output)	All production industries	Manufacturing industries	Whole economy	Monthly average Thousands	Percentage rate(4)
	1970 = 100												
1962 1st quarter	..	..	78·5	..	76·6	74·3	99·9	78·5	73·1	72·9	72·8	387·7	1·7
2nd quarter	..	..	79·5	..	77·8	75·5	100·0	79·5	74·5	74·3	74·0	436·7	1·9
3rd quarter	..	..	80·1	..	78·4	76·1	100·0	80·1	75·3	75·2	74·2	482·8	2·1
4th quarter	..	..	79·6	..	77·1	75·1	99·7	79·8	74·4	74·7	74·1	520·9	2·2
1963 1st quarter	79·4	79·1	78·7	79·1	75·3	74·0	99·4	79·2	73·6	73·9	75·3	585·4	2·5
2nd quarter	83·4	82·7	81·8	82·6	79·0	76·8	100·0	81·8	76·6	76·8	73·5	557·5	2·4
3rd quarter	83·4	83·9	83·2	83·5	81·3	79·4	100·1	83·1	78·6	79·4	73·7	526·4	2·2
4th quarter	85·3	85·0	84·4	84·9	83·1	81·3	100·7	83·8	80·1	81·1	74·2	480·5	2·0
1964 1st quarter	85·8	85·5	85·5	85·6	85·6	84·1	100·9	84·7	82·0	83·4	75·3	418·8	1·8
2nd quarter	88·2	87·0	86·8	87·4	85·6	84·1	100·1	85·8	81·8	83·0	75·4	404·0	1·7
3rd quarter	87·6	88·3	87·2	87·7	86·2	84·9	101·5	85·9	82·1	83·5	76·0	389·9	1·6
4th quarter	89·0	87·9	88·5	88·5	88·5	87·3	101·9	86·9	83·8	85·4	77·9	353·8	1·5
1965 1st quarter	89·3	89·0	89·0	89·1	89·0	87·1	102·2	87·3	84·0	85·0	77·9	332·1	1·4
2nd quarter	89·2	89·6	89·1	89·3	88·7	87·4	102·2	87·2	83·7	85·2	78 8	338·1	1·4
3rd quarter	90·2	90·5	89·5	90·0	88·7	87·2	102·2	87·6	83·6	84·7	79·6	352·8	1·5
4th quarter	91·0	91·4	90·5	90·9	90·1	88·6	102·7	88·1	84·8	86·0	80·5	328·0	1·4
1966 1st quarter	90·8	90·7	91·0	90·8	90·9	90·0	102·9	88·4	85·5	87·3	82·9	302·1	1·3
2nd quarter	91·2	90·1	91·3	90·9	91·0	89·6	102·9	88·8	85·7	87·0	84·6	314·5	1·3
3rd quarter	92·0	92·7	91·5	92·1	91·2	90·1	102·7	89·1	86·1	87·5	82·7	352·2	1·5
4th quarter	92·7	92·2	90·8	91·9	89·3	87·2	101·9	89·1	85·1	85·6	83·0	444·1	1·8
1967 1st quarter	93·6	91·3	91·1	92·0	90·5	88·6	101·3	89·9	87·0	87·8	83·4	515·7	2·2
2nd quarter	94·3	94·2	92·1	93·5	91·4	89·5	101·3	90·9	88·5	89·3	83·8	544·7	2·3
3rd quarter	94·1	93·2	92·5	93·3	91·5	89·7	101·3	91·3	89·2	90·2	85·9	559·8	2·4
4th quarter	93·0	93·7	94·0	93·6	93·4	91·4	101·0	93·1	91·6	92·3	86·2	569·3	2·4
1968 1st quarter	96·4	95·3	96·5	96·0	96·3	94·5	100·8	95·8	94·7	95·6	86·8	573·7	2·4
2nd quarter	96·1	95·9	96·1	96·0	97·0	95·6	100·6	95·5	95·7	96·8	86·6	580·9	2·5
3rd quarter	98·1	98·4	96·4	97·6	97·4	96·2	100·6	95·8	96·1	97·0	85·9	576·6	2·4
4th quarter	98·7	99·1	97·0	98·3	97·9	96·7	100·7	96·3	96·4	97·2	86·6	567·6	2·4
1969 1st quarter	98·2	98·2	97·6	98·0	99·0	98·2	100·7	96·9	97·2	98·2	89·4	562·3	2·4
2nd quarter	97·9	98·2	98·6	98·2	100·4	100·1	100·7	97·9	98·7	99·7	90·2	557·2	2·4
3rd quarter	98·4	98·8	98·6	98·6	99·8	99·6	100·6	98·0	98·3	99·2	90·9	566·7	2·4
4th quarter	99·7	99·5	98·8	99·4	99·7	99·7	100·4	98·4	98·4	99·1	93·3	580·2	2·5
1970 1st quarter	98·3	97·5	99·4	98·4	99·7	99·7	100·4	99·0	98·9	99·3	96·8	586 9	2·5
2nd quarter	100·1	100·6	99·7	100·1	99·5	99·2	100·0	99·7	99·2	98·9	98·9	597·8	2·5
3rd quarter	100·4	101·5	100·3	100·7	100·4	100 2	99·8	100·5	100·6	100·3	100·6	606·8	2·6
4th quarter	101·2	100·4	100·6	100·8	100·3	100·8	99·7	100·9	101·1	101·4	103·5	617·5	2·6
1971 1st quarter	99·9	99·3	100·0	99·7	99·9	99·7	98·5	101·5	101·3	100·8	106·8	668·5	2·9
2nd quarter	101·3	100·2	101·3	100·9	100·7	100·2	98·4	103·0	103·6	103·1	109·1	750·3	3·3
3rd quarter	103·9	101·5	101·8	102·4	100·4	99·3	97·6	104·3	104·1	103·3	110·8	813·1	3·6
4th quarter	103·1	101·3	102·3	102·3	100·2	98·8	97·6	104·9	105·0	104·1	112·7	871·6	3·8
1972 1st quarter	102·0	99·5	101·4	101·0	98·0	98·3	98·2	103·3	103·4	104·7	117·2	908·2	4·0
2nd quarter	103·3	103·2	104·3	103·6	102·7	101·2	98·4	106·0	108·3	108·1	117·2	879·4	3·8
3rd quarter	103·0	102·7	104·3	103·4	102·5	101·8	98·7	105·7	108·2	108·8	121·1	846·5	3·7
4th quarter	105·0	104·9	106·1	105·3	105·4	104·9	99·2	107·0	111·1	112·2	123·6	785·4	3·4
1973 1st quarter	110·9	107·1	109·2	109·1	110·3	110·4	100·0	109·2	115·7	117·7	124·9	700·0	3·1
2nd quarter	109·1	108·5	108·7	108·8	109·9	110·2			115·1	117·0	127·2	636·4	2·8
3rd quarter	111·1	108·0	109·7	109·7	110·8	111·4			115·9	118·0	132·5	591·4	2·6
4th quarter					109·3	110·4			114·1	116·7		516·0	2·3

(1) These estimates are given to one decimal place but this does not imply that they can be regarded as accurate to the last digit shown.
(2) The earlier figures in this series have been adjusted to be consistent with Census of Employment data on which the later figures are based.
(3) Income data deflated by the price index implied by estimates based on expenditure data.
(4) The base used in calculating the percentage rate of unemployment is the estimate of total employees (employed and unemployed). Figures of employees in employment are now obtained from the Census of Employment, described on pages 5 to 7 of the January 1973 issue of the *Department of Employment Gazette*.
(5) Series updated from January 1971 to take account of 1973 data.

Main economic series *(continued)*

All series are seasonally adjusted unless otherwise stated

	Unfilled vacancies (GB) Adults only § (¹)	Basic hourly wage rates	Average earnings of all employees (GB) §	General index of retail prices		Wholesale prices index		Unit value index numbers (¹)			Personal disposable income revalued at 1970 prices(²) §	Consumers' expenditure at 1970 prices §	Personal savings ratio (³)
				All items	All items except items of food whose prices show significant seasonal variations	Basic materials and fuel purchased by manufacturing industry (⁴)	Output All manufactured products Home sales	Exports	Imports	Terms of trade			
	n.s.a.			n.s.a.	n.s.a.	n.s.a.	n.s.a.	n.s.a.	n.s.a.	n.s.a.			
	Monthly average Thousands	Jan. 1956 = 100	Jan. 1970 = 100	Jan. 1962 = 100		1970 = 100					£ million		Percentage
1962 1st quarter	187·3	133·6	..	100·2	100·2	76·9	76·9	75·9	76·9	98·7	7,019	6,485	7·5
2nd quarter	165·2	135·6	..	102·3	101·2	76·3	77·0	74·4	76·8	96·9	7,012	6,590	6·3
3rd quarter	141·3	137·3	..	101·9	101·9	75·3	77·3	75·1	77·5	96·9	7,116	6,562	7·6
4th quarter	128·6	138·3	..	101·8	102·5	76·0	77·6	75·0	77·9	96·3	7,227	6,632	8·3
1963 1st quarter	127·5	139·4	62·1	103·3	102·8	77·2	77·7	75·9	78·6	96·6	7,179	6,631	7·6
2nd quarter	136·8	140·9	64·0	103·9	103·0	77·4	77·9	76·3	79·1	96·5	7,350	6,873	6·5
3rd quarter	142·7	141·5	65·1	103·2	103·5	76·9	77·9	77·2	78·9	97·8	7,523	6,950	7·6
4th quarter	170·6	143·3	65·9	104·0	104·6	80·3	78·5	77·5	80·1	96·8	7,577	6,962	8·1
1964 1st quarter	199·9	146·1	67·4	104·9	105·4	80·6	79·1	77·3	80·7	95·8	7,608	7,015	7·8
2nd quarter	212·4	147·8	68·5	106·8	107·0	80·3	80·2	77·7	80·7	96·3	7,633	7,035	7·8
3rd quarter	228·4	149·5	69·9	107·7	108·3	81·1	80·7	78·5	80·7	97·3	7,741	7,081	8·5
4th quarter	243·7	151·0	70·9	108·6	109·3	82·5	81·2	78·6	81·3	96·7	7,757	7,143	7·9
1965 1st quarter	249·6	153·8	72·2	109·6	110·3	82·5	82·1	79·3	81·4	97·4	7,804	7,151	8·4
2nd quarter	270·4	156·1	73·3	112·4	112·6	82·2	83·4	79·5	81·4	97·7	7,780	7,115	8·5
3rd quarter	270·9	159·9	74·5	112·9	113·3	81·6	83·8	80·1	81·2	98·6	7,873	7,208	8·4
4th quarter	269·4	161·9	76·3	113·6	114·0	82·4	84·0	80·7	81·6	98·9	7,998	7,234	9·5
1966 1st quarter	275·8	166·0	77·6	114·4	114·8	83·9	84·8	81·8	82·0	99·8	8,303	7,338	11·6
2nd quarter	278·5	168·1	79·2	116·6	116·3	85·4	85·4	83·0	82·8	100·2	7,946	7,375	7·2
3rd quarter	259·4	169·8	79·6	117·0	117·4	84·0	86·1	83·6	82·2	101·7	7,907	7,288	7·8
4th quarter	205·3	169·9	79·6	117·9	118·1	83·4	85·9	83·6	82·3	101·6	7,976	7,257	9·0
1967 1st quarter	183·4	171·4	79·8	118·6	118·7	82·8	86·1	83·8	82·1	102·1	7,925	7,312	7·7
2nd quarter	166·5	172·9	80·7	119·6	119·2	82·3	86·1	83·9	81·4	103·1	8,152	7,403	9·2
3rd quarter	166·3	177·3	82·6	119·0	119·2	82·6	86·6	84·4	83·2	101·4	8,297	7,510	9·5
4th quarter	179·3	179·7	84·2	120·4	120·7	87·6	87·1	85·4	86·6	98·6	8,189	7,616	7·0
1968 1st quarter	180·5	184·8	85·9	122·1	122·2	92·3	88·7	88·9	92·0	96·6	8,404	7,807	7·1
2nd quarter	181·2	185·8	87·1	125·0	125·0	90·7	89·8	90·8	92·7	98·0	8,192	7,493	8·5
3rd quarter	187·6	187·7	89·0	125·7	126·1	91·0	90·3	92·3	94·1	98·1	8,251	7,605	7·8
4th quarter	202·0	191·0	91·0	127·2	127·6	91·8	91·0	92·8	94·6	98·1	8,286	7,651	7·7
1969 1st quarter	200·6	194·7	92·2	129·7	129·7	93·1	92·2	93·9	94·5	99·4	8,329	7,592	8·9
2nd quarter	200·8	195·6	94·1	131·8	131·0	94·3	92·6	93·9	95·5	98·3	8,214	7,665	6·7
3rd quarter	199·2	197·8	95·9	132·0	132·0	95·2	93·7	94·2	96·5	97·6	8,302	7,640	8·0
4th quarter	197·2	201·6	98·5	133·7	133·9	97·5	94·7	95·1	98·1	96·9	8,406	7,741	7·9
1970 1st quarter	194·2	209·0	101·6	136·2	136·0	99·2	96·7	98·9	99·6	99·3	8,328	7,715	7·3
2nd quarter	189·1	214·0	105·0	139·5	138·7	99·7	98·9	100·0	100·8	99·2	8,621	7,836	9·1
3rd quarter	185·1	219·5	108·3	141·1	141·3	99·8	100·9	102·0	100·8	101·2	8,717	7,923	9·1
4th quarter	174·3	228·3	111·9	144·0	144·6	101·4	103·4	102·3	100·6	101·7	8,701	7,930	8·9
1971 1st quarter	149·9	237·5	114·6	147·9	148·0	103·0	106·3	104·1	102·8	101·3	8,676	7,865	9·4
2nd quarter	127·2	242·4	117·2	153·2	152·8	104·9	108·7	105·3	106·0	99·3	8,694	8,008	7·9
3rd quarter	120·4	248·6	120·4	155·3	155·5	105·6	110·3	107·4	106·5	100·8	8,809	8,121	7·8
4th quarter	118·6	257·0	122·6	157·3	157·5	104·8	110·8	109·1	105·6	103·3	8,952	8,217	8·2
1972 1st quarter	123·5	265·9	126·3(⁵)	159·7	159·7	105·6	112·1	110·3	106·6	103·5	8,983	8,329	7·3
2nd quarter	132·0	272·0	130·6	162·7	162·5	106·1	113·5	110·8	107·4	103·2	9,454	8,462	10·5
3rd quarter	147·2	103·4(⁶)	135·1	165·4	165·1	109·4	115·6	114·1(⁷)	110·8(⁷)	103·0(⁷)	9,314	8,585	7·8
4th quarter	178·6	108·1	142·0	169·4	169·2	115·6	118·0	115·1	115·8	99·4	9,551	8,739	8·9
1973 1st quarter	228·4	108·9	143·8	172·4	171·4	126·0	119·5	118·7	122·2	97·1	9,683	8,977	7·3
2nd quarter	288·9	113·8	149·3	177·9	175·6	133·4	120·1(⁸)	122·9	132·2	93·0	9,863	8,824	10·5
3rd quarter	334·0	118·6	154·8	180·6	179·1	150·5	124·2	127·3	145·3	87·6	9,896	8,898	10·1
4th quarter	364·2	120·9	160·0	186·8	184·8	167·2	129·1	134·6	161·6	83·3			

(¹) *Overseas Trade Statistics* basis. (²) Before providing for depreciation, stock appreciation and additions to tax reserves. (³) Personal saving, including additions to reserves, as a percentage of personal disposable income. (⁴) Revised method of calculation to include levies on certain imported foods from 3rd quarter 1971. (⁵) As industrial activity was severely disrupted by restricted electricity supplies, no enquiry was held in February. The index is therefore given as an average of the January and March figures.
(⁶) The current series is based on 31 July 1972 = 100; the hourly wage rates index based on January 1956 = 100 was 277·3 at that date.
(⁷) Affected by the dock strike. (⁸) See footnote (²) on page 30. (⁹) Series updated from January 1971 to take account of 1973 data.
n.s.a. = not seasonally adjusted.

Main economic series *(continued)*

All series are seasonally adjusted unless otherwise stated

	Volume of retail sales (GB) (1)	New registrations of cars (GB)	Changes in hire purchase and other instalment debt(2)	Gross domestic fixed capital formation						Investment in stocks(3) §		Engineering (4) industries	Construction industry
				Total §	Private sector	Public sector	Manufacturing industry §	Private dwellings	Public dwellings	Total	Manufacturing	Net new orders / Home market	Orders received
	1971=100	Thousands	£ million	£ million at 1970 prices								1963=100	1970=100
1962 1st quarter	83·5	179·6	— 32	1,565	887	678	413	173	106	— 37	— 58	..	..
2nd quarter	84·1	195·8	— 13	1,610	913	697	403	173	113	17	15	..	..
3rd quarter	84·6	194·1	+ 5	1,608	907	701	385	170	131	55	9	..	..
4th quarter	84·6	215·3	+ 5	1,561	865	696	374	162	116	— 24	— 6	..	..
1963 1st quarter	84·7	211·0	+ 2	1,416	829	587	338	125	81	— 18	17	104	97
2nd quarter	86·4	254·0	+ 19	1,622	895	727	354	176	125	81	— 17	106	95
3rd quarter	88·0	260·7	+ 28	1,674	902	772	346	185	133	— 7	6	112	107
4th quarter	88·2	282·9	+ 34	1,739	956	783	353	193	140	141	97	113	94
1964 1st quarter	88·7	283·6	+ 41	1,804	998	806	369	195	153	176	133	117	104
2nd quarter	88·9	288·0	+ 40	1,855	1,028	827	392	202	163	270	196	126	112
3rd quarter	89·4	309·5	+ 45	1,911	1,060	851	395	205	157	207	130	123	115
4th quarter	90·4	309·6	+ 42	1,934	1,078	856	413	211	157	283	194	127	126
1965 1st quarter	91·0	307·4	+ 35	1,959	1,101	858	442	216	161	172	132	119	115
2nd quarter	91·1	264·2	+ 40	1,921	1,066	855	416	202	159	139	135	111	107
3rd quarter	91·8	272·0	+ 25	1,921	1,064	857	434	199	162	167	119	115	108
4th quarter	92·5	278·9	+ 13	2,006	1,100	906	440	200	181	124	74	120	99
1966 1st quarter	93·3	296·4	+ 3	1,974	1,096	878	450	194	178	123	103	122	102
2nd quarter	93·5	315·7	— 11	1,964	1,039	925	436	195	173	136	52	113	102
3rd quarter	92·5	247·5	— 54	2,018	1,072	946	449	189	193	167	149	117	106
4th quarter	91·9	205·8	— 73	2,027	1,054	973	445	187	206	— 12	11	115	99
1967 1st quarter	93·3	240·8	— 48	2,091	1,065	1,026	439	191	211	107	46	107	128
2nd quarter	93·4	268·0	— 39	2,184	1,127	1,057	452	199	214	127	24	120	116
3rd quarter	95·2	290·5	+ 16	2,163	1,103	1,060	425	210	212	38	11	117	112
4th quarter	96·4	317·3	+ 31	2,126	1,053	1,073	419	201	211	66	— 9	109	115
1968 1st quarter	98·7	324·2	+ 34	2,246	1,137	1,109	440	212	235	— 46	— 59	120	110
2nd quarter	95·8	245·2	— 8	2,217	1,150	1,067	434	214	220	170	91	122	106
3rd quarter	96·8	263·9	+ 12	2,225	1,204	1,021	453	206	221	195	153	126	106
4th quarter	97·3	283·6	+ 8	2,263	1,236	1,027	471	214	218	152	84	123	112
1969 1st quarter	96·9	233·7	— 16	2,279	1,263	1,016	481	203	227	157	140	133	102
2nd quarter	97·8	264·3	+ 1	2,235	1,257	978	504	197	210	107	83	134	99
3rd quarter	97·2	260·1	— 3	2,280	1,281	999	520	188	233	70	24	130	103
4th quarter	96·9	229·3	— 2	2,248	1,242	1,006	519	170	220	85	73	133	105
1970 1st quarter	98·6	258·6	+ 10	2,236	1,246	990	515	168	198	— 21	22	130	103
2nd quarter	99·0	285·8	+ 24	2,317	1,290	1,027	534	170	199	125	76	131	105
3rd quarter	99·5	277·6	+ 20	2,318	1,315	1,003	538	179	203	106	26	135	101
4th quarter	99·1	275·2	+ 30	2,352	1,273	1,079	542	185	201	47	51	130	91
1971 1st quarter	97·8	282·4	+ 13	2,299	1,214	1,085	511	192	193	114	10	122	105
2nd quarter	99·7	289·8	+ 37	2,332	1,326	1,006	498	202	195	—103	—113	125	111
3rd quarter	100·5	347·6	+107	2,318	1,331	987	491	210	182	— 18	— 68	140	108
4th quarter	102·1	381·7	+ 83	2,320	1,307	1,013	468	227	180	—	— 47	139	105
1972 1st quarter	102·1	371·9	+ 87	2,366	1,343	1,023	466	242	189	—136	—156	160	116
2nd quarter	104·6	439·8	+108	2,341	1,370	971	447	238	173	—104	—145	149	121
3rd quarter	107·2	418·5	+123	2,321	1,341	980	430	240	159	— 87	—125	170	104
4th quarter	109·5	432·7	+106	2,354	1,387	967	432	263	167	— 85	— 72	165	108
1973 1st quarter	111·8	454·6	+176	2,525	1,508	1,017	465	280	181	253	168	191	123
2nd quarter	108·0	406·5	+ 80	2,374	1,443	931	447	289	167	213	87	192	111
3rd quarter	110·5	428·7	+109	2,525	1,492	1,033	482	290	196	138	91	203	111
4th quarter	112·3	355·7	+ 75										84(5)

(1) This index is given to one decimal place but this does not imply that it can be regarded as accurate to the last digit shown.
(2) Credit extended by finance houses and retailers, i.e. durable goods shops and department stores *plus* (from 1965) other general stores, general mail order houses and the non-durable goods departments of co-operative societies.
(3) Value of physical increase in stocks and work in progress.
(4) Mechanical, instrument and electrical engineering (SIC Orders VII, VIII and IX). See also page 25.
(5) Provisional.

Main economic series *(continued)*

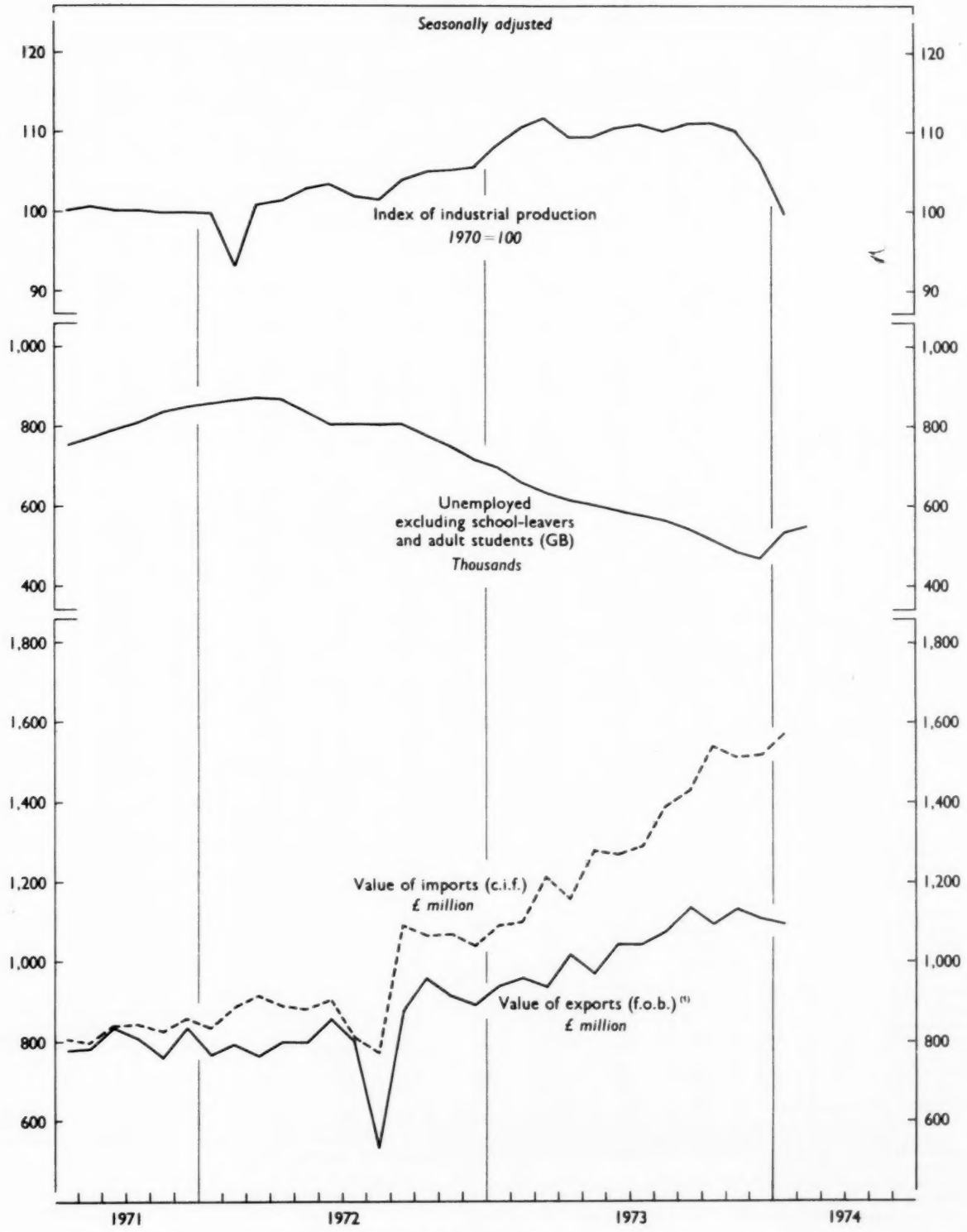
All series are seasonally adjusted unless otherwise stated

	Stock ratios		Change in money stock(1)		Domestic credit expansion	United Kingdom banking sector			Balance of payments		External trade (2)	
	Total stocks to gross domestic product (Expenditure)	Manufacturing stocks to output	M_1	M_3		Change in deposits of domestic sectors	Lending to		Current balance	Total currency flow n.s.a.	Volume of exports	Volume of imports
							Public sector	Private sector (3)				
	End-1969=100		£ million								1970=100	
1962 1st quarter	..	..	..	..	..	..	..	..	+ 29	+137	..	..
2nd quarter	..	..	..	..	..	..	..	..	+ 48	+ 84	..	..
3rd quarter	..	..	..	..	..	..	..	..	+ 12	— 36	..	..
4th quarter	..	..	..	..	..	..	..	..	+ 33	+ 7	..	..
1963 1st quarter	100	105	..	50	145	..	..	..	+ 54	— 86	67·3	65·8
2nd quarter	96	101	180	246	350	232	167	196	+ 35	+ 50	69·5	68·0
3rd quarter	95	98	131	177	217	153	138	187	+ 26	+ 6	70·5	70·9
4th quarter	94	97	179	237	336	220	56	146	+ 9	— 28	71·7	72·6
1964 1st quarter	95	95	47	110	362	59	— 58	164	— 82	+ 1	71·6	76·2
2nd quarter	94	97	77	173	363	152	44	220	— 64	+ 12	72·6	76·3
3rd quarter	96	98	71	214	377	186	98	276	—112	—126	70·3	77·6
4th quarter	97	98	39	156	461	113	—398	352	—124	—582	72·5	78·7
1965 1st quarter	98	99	14	122	331	82	—148	186	—	—166	72·8	74·0
2nd quarter	99	101	108	315	318	272	175	122	— 43	—166	74·7	78·0
3rd quarter	99	102	12	183	140	158	167	25	— 14	—196	76·8	79·1
4th quarter	99	102	141	341	379	280	260	109	+ 8	+175	78·0	79·3
1966 1st quarter	100	101	158	285	361	256	122	111	— 43	+ 48	77·7	81·1
2nd quarter	100	102	— 37	62	261	15	— 54	— 26	— 29	—163	74·5	77·7
3rd quarter	100	103	— 25	156	159	141	38	26	— 11	—488	78·8	81·3
4th quarter	100	107	—199	— 36	— 69	— 14	111	— 89	+167	+ 56	82·3	76·3
1967 1st quarter	99	106	260	290	244	246	395	42	+ 19	+509	84·1	84·2
2nd quarter	99	105	130	312	278	284	271	— 60	— 71	— 12	80·5	84·7
3rd quarter	100	105	167	421	684	400	24	317	— 31	—506	78·1	83·9
4th quarter	101	103	102	321	594	291	—118	211	—233	—662	69·2	87·3
1968 1st quarter	98	98	23	207	650	147	—227	107	— 92	—519	87·7	94·0
2nd quarter	99	98	162	435	748	410	75	227	—102	—521	84·2	92·1
3rd quarter	98	100	157	228	203	221	374	49	— 37	— 24	89·9	95·3
4th quarter	99	100	76	272	395	219	—186	145	— 53	—346	90·4	94·3
1969 1st quarter	100	100	— 92	254	128	240	— 66	217	+ 19	+272	91·0	94·0
2nd quarter	101	99	—162	—187	—293	—195	—204	— 80	+ 96	+ 82	96·0	96·6
3rd quarter	101	100	— 4	166	25	162	—307	236	+165	— 47	102·0	96·1
4th quarter	100	100	257	270	— 6	155	209	57	+171	+436	101·3	94·9
1970 1st quarter	101	100	68	127	—259	71	94	286	+256	+915	100·2	95·9
2nd quarter	100	102	313	573	472	535	172	366	+137	+227	99·5	101·3
3rd quarter	101	101	97	410	527	323	163	188	+ 85	—202	94·8	97·9
4th quarter	100	101	319	456	283	399	567	— 31	+219	+347	105·5	104·9
1971 1st quarter	102	102	424	566	80	463	234	230	+147	+973	99·8	103·8
2nd quarter	100	100	104	313	32	291	295	55	+290	+634	111·7	104·6
3rd quarter	97	101	329	473	337	419	432	603	+381	+668	113·4	103·9
4th quarter	98	101	179	1,033	714	992	758	756	+249	+953	111·3	107·1
1972 1st quarter	98	100	418	964	1,092	826	—466	1,436	+ 71	+ 57	109·4	112·8
2nd quarter	97	95	452	1,532	2,147	1,407	—697	1,565	+112	—1,045	113·7	113·9
3rd quarter	96	94	162	1,031	1,324	936	— 45	1,007	—116	— 79	99·7(4)	110·9(4)
4th quarter	94	90	471	1,772	2,320	1,635	182	1,503	+ 2	—198	122·7	126·9
1973 1st quarter	90	87	51	1,503	1,686	1,365	369	1,236	—186	+ 69	122·6	131·2
2nd quarter	93	88	749	1,243	1,238	1,114	461	887	—196	+377	126·3	131·5
3rd quarter	92	87	—325	2,324	2,907	2,320	341	1,921	—357	—258	129·3	135·7
4th quarter	..	..	247	2,187	2,916	2,019	690	1,482	—729	+ 22	125·8	141·0

(1) An article on the definitions of money stock was published in the March 1972 issue of *Economic Trends*.
(2) *Overseas Trade Statistics* basis.
(3) Excluding foreign currencies.
(4) Affected by the dock strike.
n.s.a.=not seasonally adjusted.

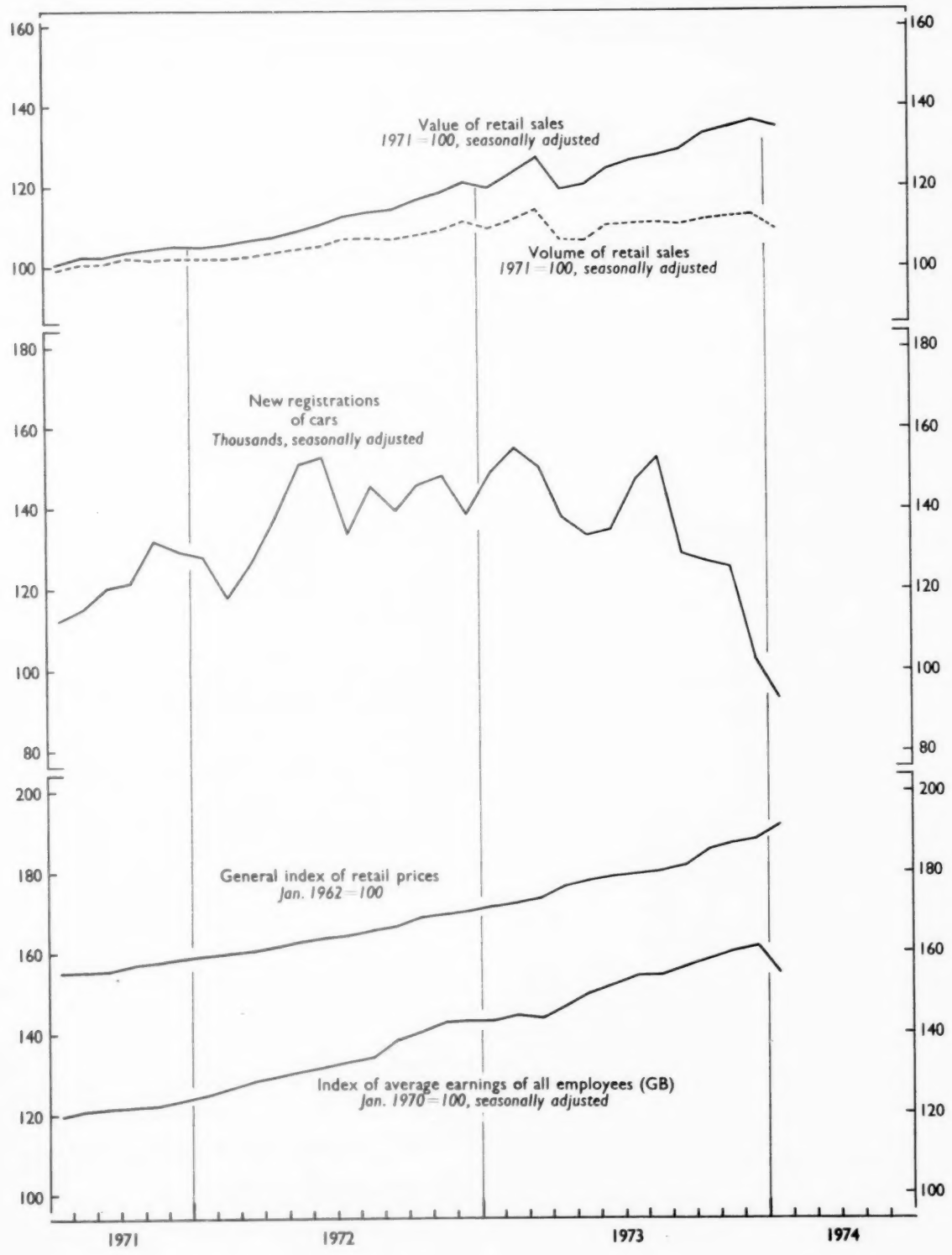
Latest developments

The charts in this section show key monthly indicators on a larger time scale than that used for the longer periods covered in other sections.

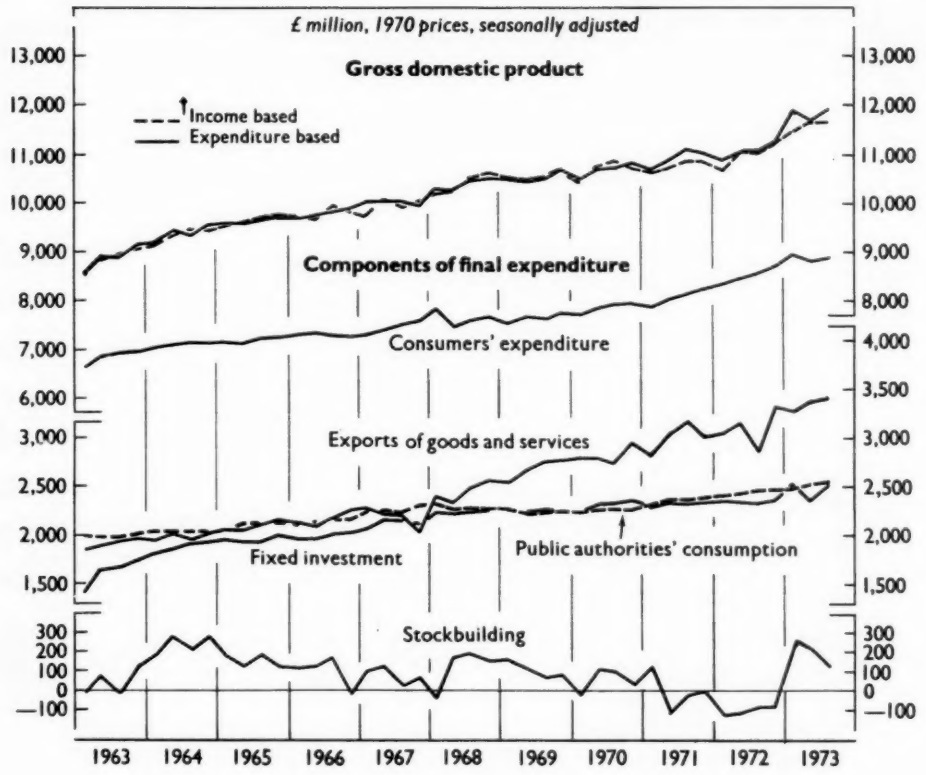


(1) *Overseas Trade Statistics* basis, before adjustment for recording of exports.

Latest developments



Gross domestic product and components of final expenditure



Gross domestic product is a measure of the aggregate output of the economy. When estimated from expenditure data it equals the sum of consumers' expenditure, exports, fixed investment, public authorities' consumption and stockbuilding, *less* imports (the products of other countries) and an adjustment to exclude taxes on expenditure and include subsidies. Gross domestic product at factor cost can also be estimated from output or from income data.

£ million, 1970 prices, seasonally adjusted

	Gross domestic product at factor cost (expenditure based)	Final expenditure on goods and services at market prices						Imports of goods and services §
		Total	Consumers' expenditure (')	Public authorities' consumption	Fixed investment	Stockbuilding	Exports of goods and services §	
1970 1st quarter ..	10,514	14,973	7,715	2,244	2,236	— 21	2,799	2,602
2nd quarter ..	10,708	15,359	7,836	2,283	2,317	125	2,798	2,761
3rd quarter ..	10,736	15,362	7,923	2,290	2,318	106	2,725	2,697
4th quarter ..	10,830	15,540	7,930	2,278	2,352	47	2,933	2,812
1971 1st quarter ..	10,684	15,404	7,865	2,315	2,299	114	2,811	2,816
2nd quarter ..	10,838	15,649	8,008	2,360	2,332	—103	3,052	2,874
3rd quarter ..	11,111	15,950	8,121	2,363	2,318	— 18	3,166	2,832
4th quarter ..	11,033	15,957	8,217	2,392	2,320	—	3,028	2,876
1972 1st quarter ..	10,908	16,031	8,329	2,410	2,366	—136	3,062	3,050
2nd quarter ..	11,051	16,295	8,462	2,426	2,341	—104	3,170	3,096
3rd quarter ..	11,018	16,151	8,585	2,473	2,321	— 87	2,859	3,021
4th quarter ..	11,235	16,803	8,739	2,477	2,354	— 85	3,318	3,382
1973 1st quarter ..	11,866	17,541	8,977	2,489	2,525	253	3,297	3,410
2nd quarter ..	11,672	17,320	8,824	2,516	2,374	213	3,393	3,408
3rd quarter ..	11,881	17,510	8,898	2,540	2,525	138	3,409	3,393
4th quarter ..								

† Income data deflated by the price index implied by estimates based on expenditure data.

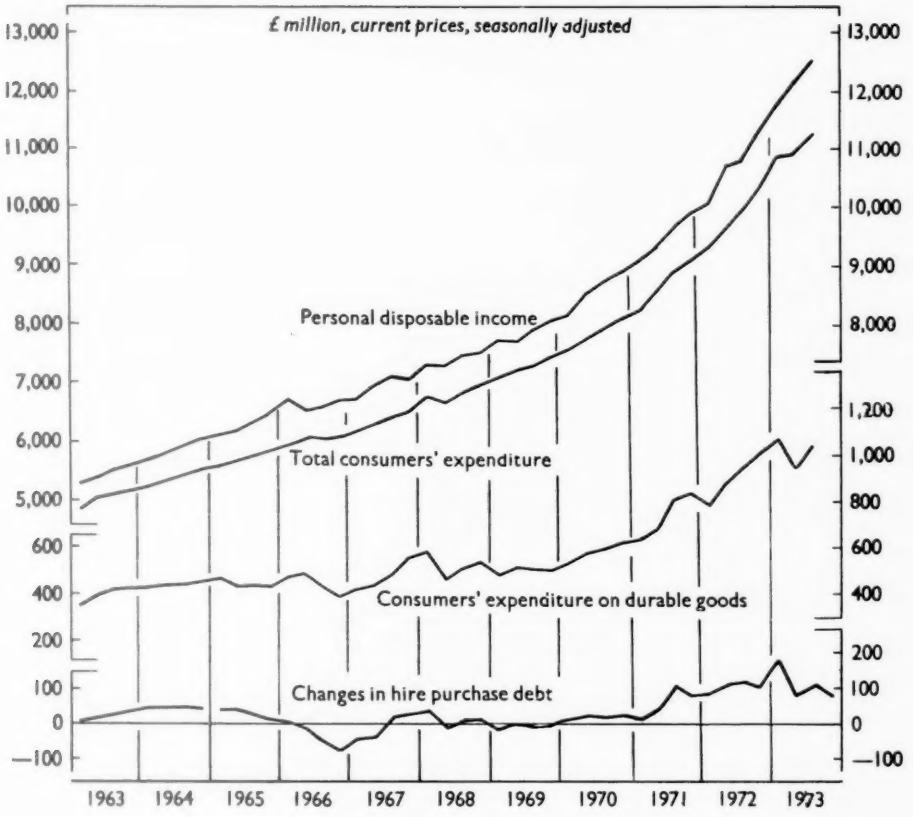
(') See note on page iii. Revised estimates of consumers' expenditure are available before the corresponding estimates for other items of final expenditure. The revised series for consumers' expenditure is:

£ million, 1970 prices, seasonally adjusted

	1972	1973
1st quarter	8,346	9,017
2nd quarter	8,479	8,832
3rd quarter	8,607	8,923
4th quarter	8,739	8,942

Personal disposable income, spending and borrowing

The monetary resources at the disposal of consumers consist of their disposable income *plus* their borrowing e.g. through increases in hire purchase debt. Much of this borrowing is for the purchase of consumer durables.

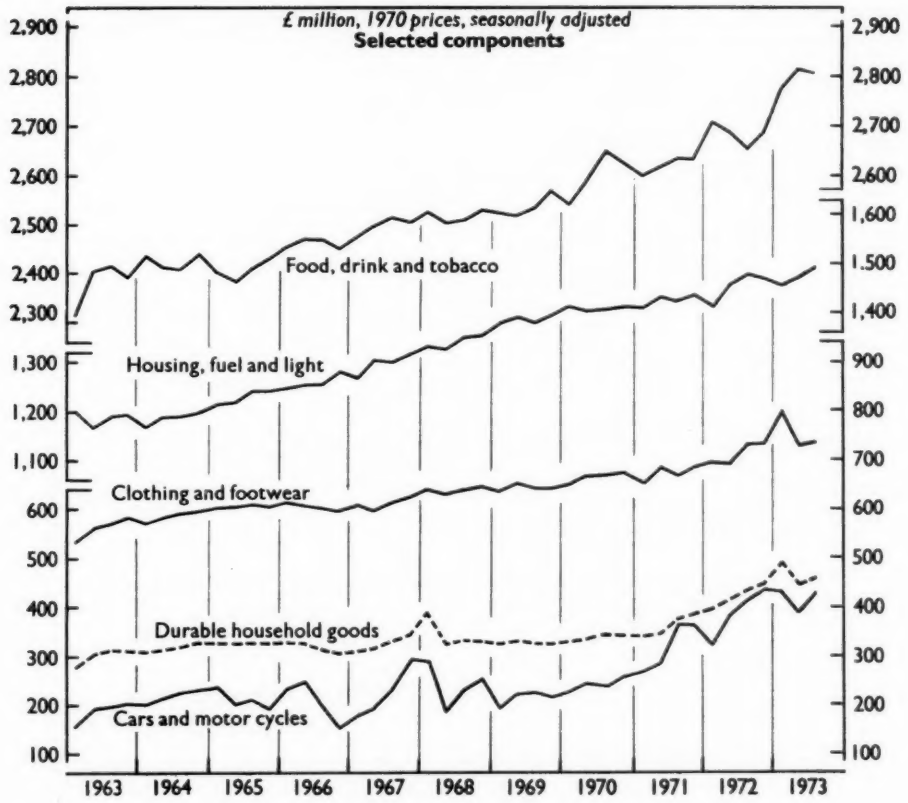


£ million, current prices, seasonally adjusted

	Personal disposable income	Consumers' expenditure		Changes in hire purchase and other instalment debt (2)
		Total	Durable goods(1)	
1969 1st quarter	7,737	7,052	481	— 16
2nd quarter	7,724	7,207	520	+ 1
3rd quarter	7,898	7,268	518	— 3
4th quarter	8,080	7,441	515	— 2
1970 1st quarter	8,154	7,555	535	+ 10
2nd quarter	8,550	7,772	573	+ 24
3rd quarter	8,754	7,957	591	+ 20
4th quarter	8,909	8,120	623	+ 30
1971 1st quarter	9,086	8,236	639	+ 13
2nd quarter	9,358	8,619	684	+ 37
3rd quarter	9,655	8,900	806	+107
4th quarter	9,897	9,083	814	+ 83
1972 1st quarter	10,051	9,320	782	+ 87
2nd quarter	10,743	9,616	878	+108
3rd quarter	10,799	9,954	949	+123
4th quarter	11,384	10,373	1,007	+106
1973 1st quarter	11,716	10,862	1,059	+176
2nd quarter	12,181	10,898	949	+ 80
3rd quarter	12,506	11,245	1,040	+109
4th quarter				+ 75

(1) Cars, motor cycles and durable household goods. (2) See footnote (2) on page 4.

Consumers' expenditure



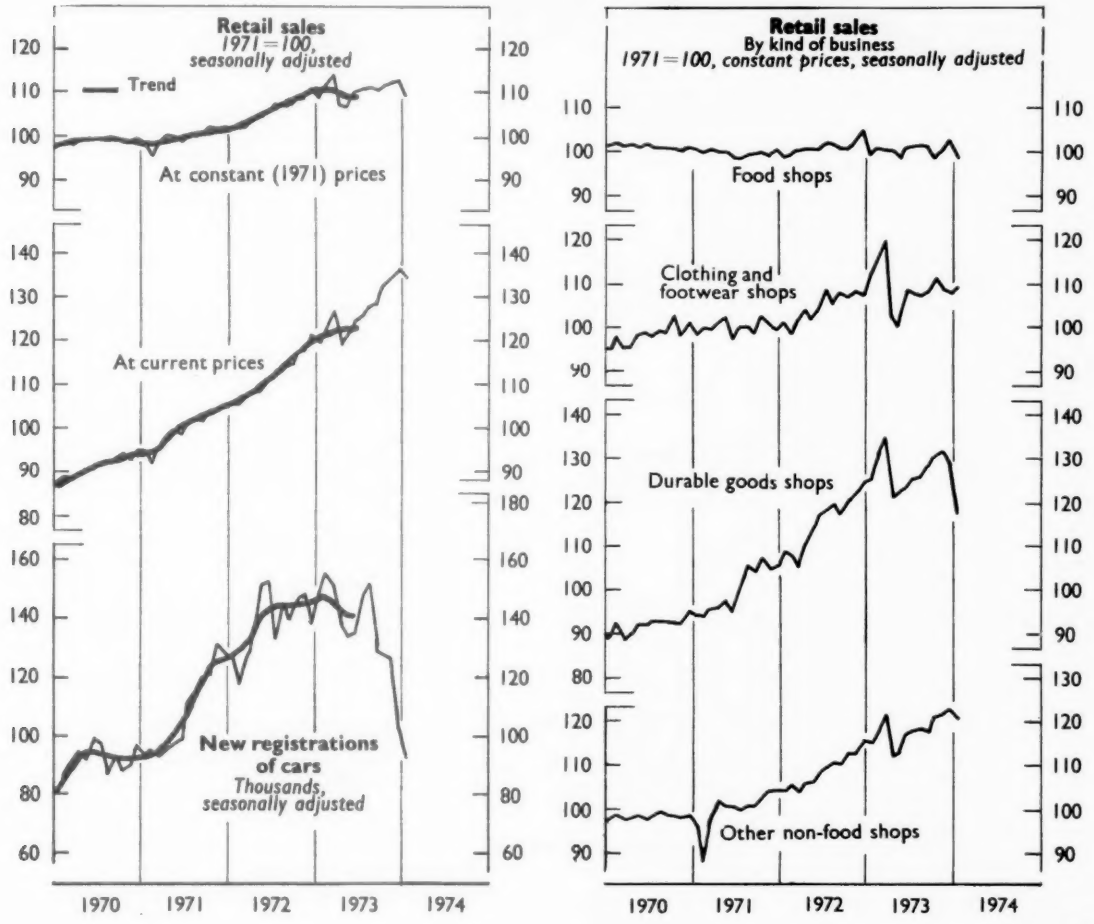
£ million, 1970 prices, seasonally adjusted

	Food, drink and tobacco	Housing, fuel and light	Clothing, including footwear	Durable household goods	Cars and motor cycles
1969 1st quarter	2,523	1,379	639	326	192
2nd quarter	2,520	1,389	652	334	221
3rd quarter	2,536	1,379	643	327	223
4th quarter	2,566	1,396	643	326	219
1970 1st quarter	2,540	1,410	653	331	227
2nd quarter	2,587	1,402	666	336	244
3rd quarter	2,647	1,405	670	344	239
4th quarter	2,622	1,411	677	342	259
1971 1st quarter	2,600	1,407	653	340	268
2nd quarter	2,620	1,429	681	347	288
3rd quarter	2,635	1,420	668	378	363
4th quarter	2,634	1,433	682	384	362
1972 1st quarter	2,711	1,414	697	396	324
2nd quarter	2,686	1,454	692	415	381
3rd quarter	2,656	1,473	732	433	417
4th quarter	2,689	1,466	735	445	437
1973 1st quarter	2,788	1,459	797	488	438
2nd quarter	2,826	1,470	727	442	384
3rd quarter	2,837	1,472	735	458	427
4th quarter	2,877	1,479	741	469	360

Note: The figures in the table, but not in the chart, have been revised to take account of the latest available annual data. (See footnote (1) on page 8.)

Retail sales, new registrations of cars (Great Britain)

Retail sales cover about half of consumers' expenditure; purchases of new cars are a relatively small but volatile element in expenditure.

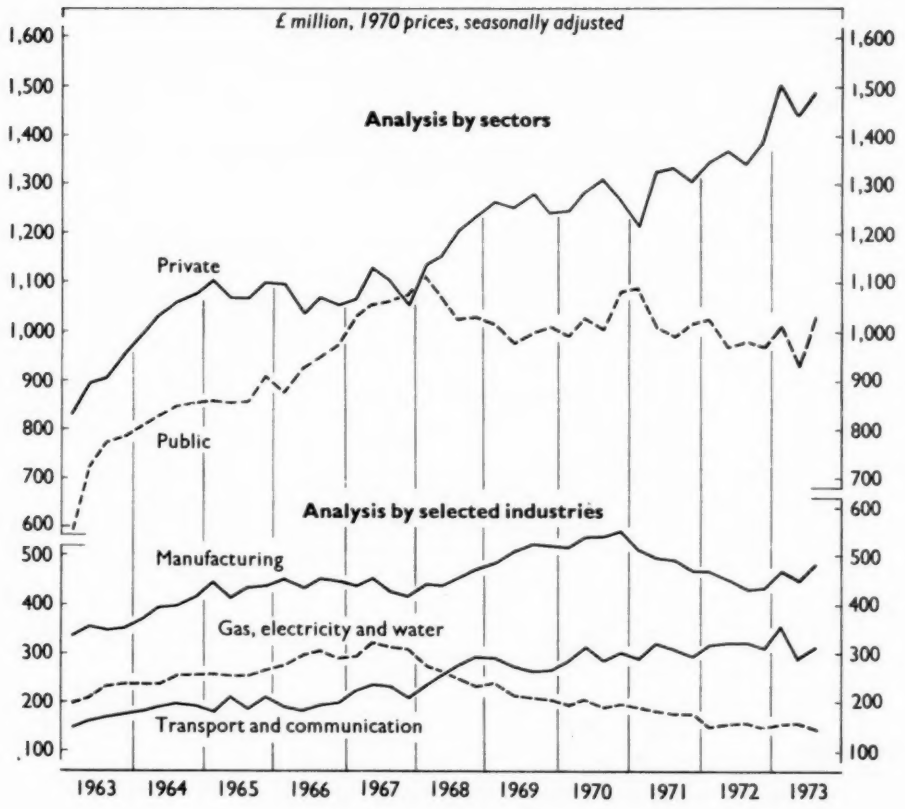


Seasonally adjusted

	Index numbers of retail sales Weekly average 1971=100						New registrations of cars §
	Total § (1)	Food shops § (1)	Clothing and footwear shops §	Durable goods shops §	Other non-food shops §	Total § (1)	
	At constant prices					At current prices	Thousands
Estimated sales in 1971 (£ million)	*15,895*	*6,693*	*2,314*	*1,801*	*5,087*	*15,895*	
1971 1st quarter	97·8	100·5	99	95	95	94·5	282
2nd quarter	99·7	99·8	100	96	101	99·2	290
3rd quarter	100·5	99·6	100	104	101	101·7	348
4th quarter	102·1	100·2	101	106	104	104·6	382
1972 1st quarter	102·1	99·7	100	107	104	106·0	372
2nd quarter	104·6	101·0	104	114	107	109·1	440
3rd quarter	107·2	101·9	108	118	110	113·9	419
4th quarter	109·5	103·3	107	122	114	118·9	433
1973 1st quarter	111·8	100·5	116	131	118	123·6	455
2nd quarter	108·0	100·5	104	122	115	121·7	407
3rd quarter	110·5	101·6	108	127	118	127·6	429
4th quarter	112·3	101·4	109	130	122	134·7	356
1974 January	109·5	99·3	109	118	120	134·8	93
February							
March							

(1) These indices are given to one decimal place, but this does not imply that they can be regarded as accurate to the last digit shown.

Fixed investment



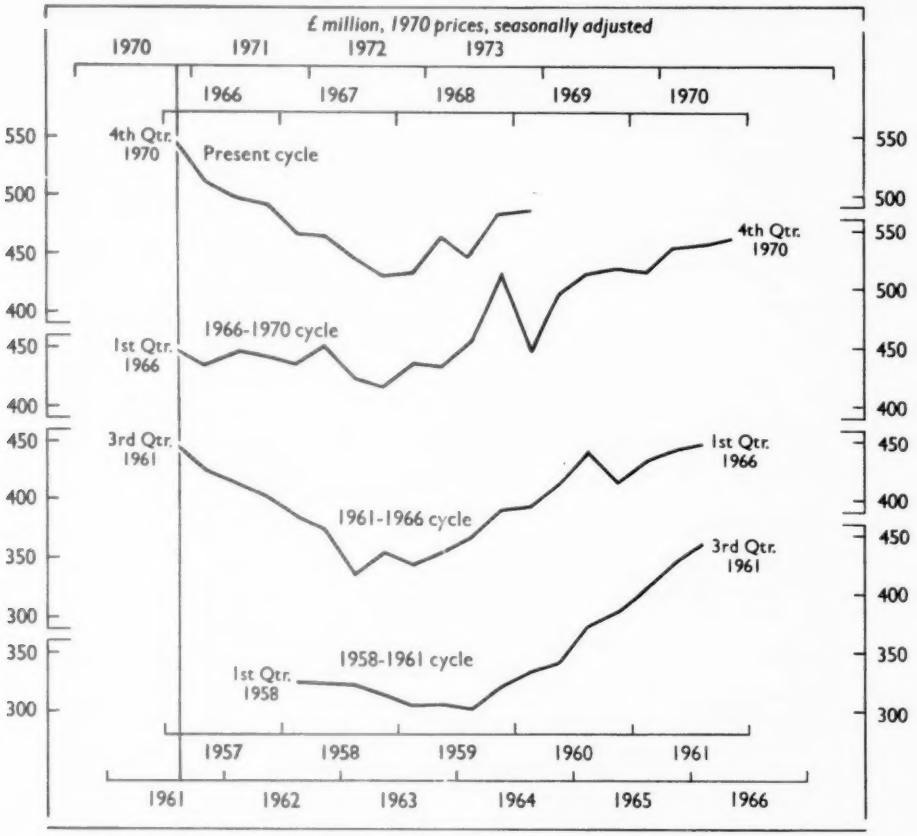
The investment cycle occurs mainly in manufacturing industry.

£ million, 1970 prices, seasonally adjusted

	Sectors		Selected industries		
	Private	Public	Manufacturing §	Gas, electricity and water	Transport and communication
1969 1st quarter	1,263	1,016	481	240	289
2nd quarter	1,257	978	504	216	272
3rd quarter	1,281	999	520	208	263
4th quarter	1,242	1,006	519	205	267
1970 1st quarter	1,246	990	515	198	281
2nd quarter	1,290	1,027	534	201	311
3rd quarter	1,315	1,003	538	186	287
4th quarter	1,273	1,079	542	198	301
1971 1st quarter	1,214	1,085	511	186	291
2nd quarter	1,326	1,006	498	180	321
3rd quarter	1,331	987	491	178	308
4th quarter	1,307	1,013	468	177	294
1972 1st quarter	1,343	1,023	466	149	319
2nd quarter	1,370	971	447	156	321
3rd quarter	1,341	980	430	155	323
4th quarter	1,387	967	432	146	311
1973 1st quarter	1,508	1,017	465	153	359
2nd quarter	1,443	931	447	153	288
3rd quarter	1,492	1,033	482	142	312
4th quarter					

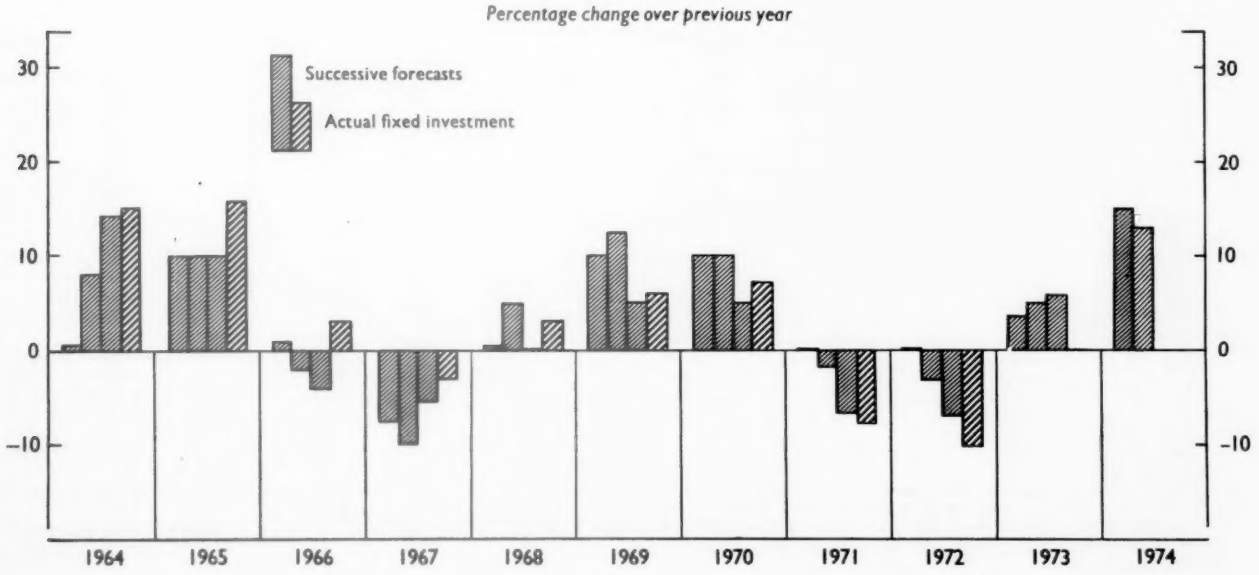
Fixed investment

Present and previous cycles of fixed investment in manufacturing industry

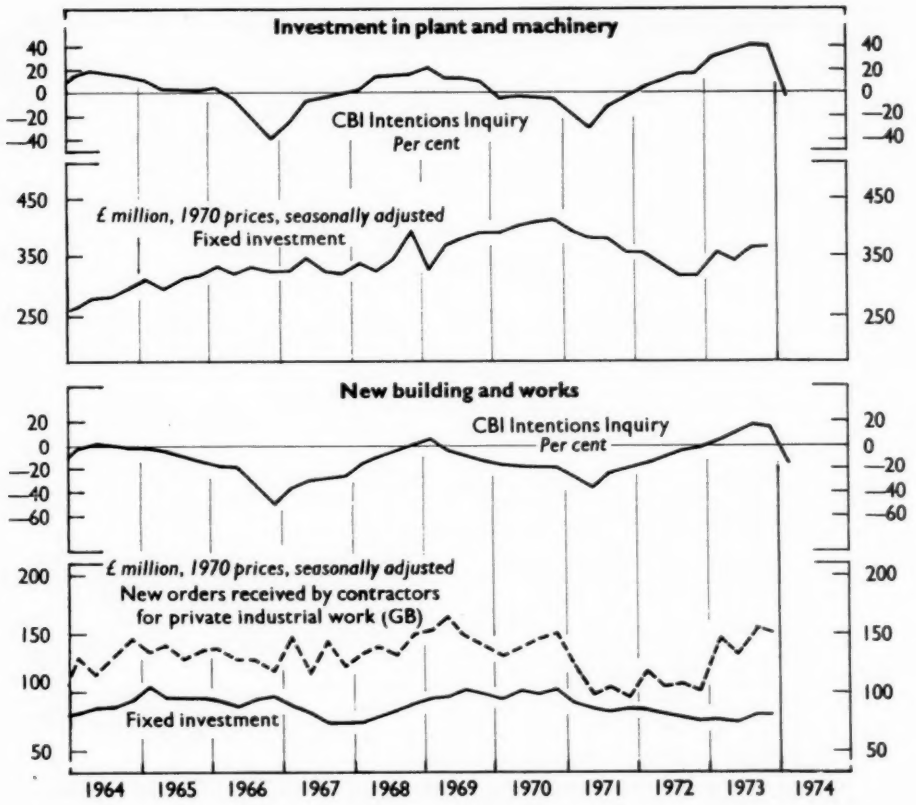


Department of Trade and Industry inquiry into investment intentions in manufacturing industry

For each year there have usually been three successive forecasts: the first in the preceding summer, the second at the end of the previous year and the third in the summer of the year concerned. Changes for the years before 1966 are in terms of current prices; those for later years are expressed in volume terms, after making an approximate allowance for price changes.



Other forward-looking indicators of fixed investment by manufacturing industry

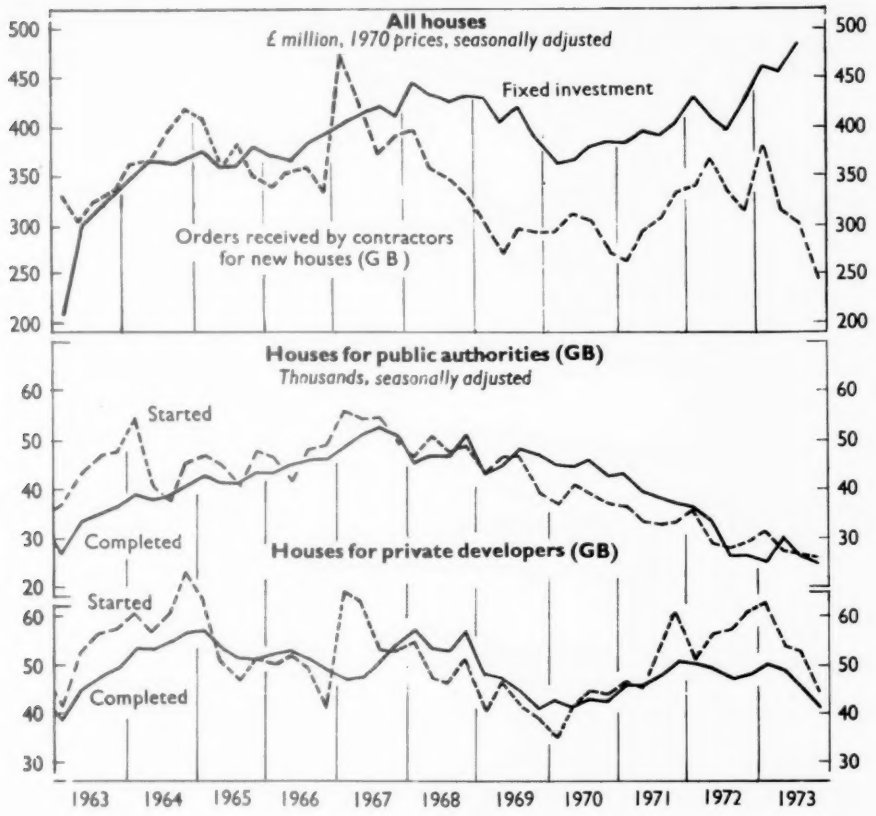


Turning points in the CBI Intentions Inquiry and in the value of orders received by contractors for private industrial work anticipate turning points in fixed investment.

	Plant and machinery in manufacturing industry		New building and works in manufacturing industry		New orders received by contractors for private industrial work (GB)
	CBI Intentions Inquiry	Fixed investment	CBI Intentions Inquiry	Fixed investment	
	Per cent (1)	£ million, 1970 prices, seasonally adjusted	Per cent (1)	£ million, 1970 prices, seasonally adjusted	
1970 1st quarter	— 5	391·6	—18	93·8	130
2nd quarter	— 3	404·9	—20	100·0	138
3rd quarter	..	410·5	..	98·4	145
4th quarter	— 8	412·4	—21	101·2	150
1971 1st quarter	(2)	393·9	(2)	90·4	121
2nd quarter	—31	384·4	—37	86·8	98
3rd quarter	—13	381·9	—25	82·4	104
4th quarter	..	355·0	..	85·1	96
1972 1st quarter	3	353·7	—17	83·4	119
2nd quarter	9	335·3	—11	81·0	104
3rd quarter	16	318·3	— 4	79·2	107
4th quarter	17	319·9	— 2	75·3	100
1973 1st quarter	30	352·5	4	77·5	147
2nd quarter	35	342·0	11	73·5	131
3rd quarter	39	366·1	18	81·9	158
4th quarter	38	366·7(3)	16	81·1(3)	151(3)
1974 1st quarter	— 3		—15		
2nd quarter					
3rd quarter					
4th quarter					

(1) Percentage of firms expecting to authorise more in next 12 months less percentage expecting to authorise less.
Figures relate to Inquiries in February, June and October of each year until 1972, when they are held in the first month of each quarter.
(2) No Inquiry was held in February 1971 because of the postal strike.
(3) Provisional.

Forward-looking indicators of fixed investment in dwellings

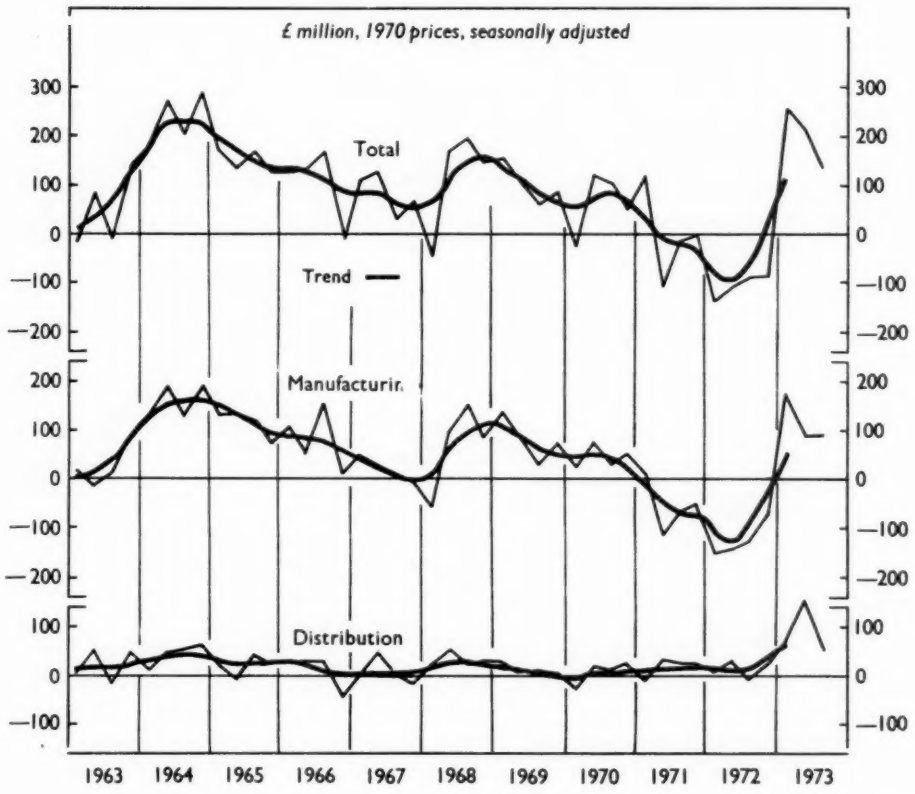


Seasonally adjusted

	Orders received by contractors for new houses (GB)	Fixed investment in dwellings	Houses for public authorities (GB) §		Houses for private developers (GB) §	
			Started	Completed	Started	Completed
	£ million, 1970 prices		Thousands			
1969 1st quarter	303	430	43·8	43·6	40·3	48·0
2nd quarter	268	407	46·8	45·5	47·0	47·3
3rd quarter	296	421	47·1	48·5	41·2	44·8
4th quarter	293	390	38·9	47·5	38·3	41·6
1970 1st quarter	291	366	36·2	45·7	35·0	42·6
2nd quarter	308	369	40·5	45·2	41·9	41·2
3rd quarter	302	382	40·0	46·3	44·2	43·7
4th quarter	270	386	37·4	42·9	44·0	42·8
1971 1st quarter	260	385	36·4	43·6	46·5	46·0
2nd quarter	294	397	33·4	39·5	45·8	46·0
3rd quarter	308	392	33·1	38·3	53·8	48·5
4th quarter	334	407	33·7	37·5	61·2	51·1
1972 1st quarter	340	431	36·0	36·4	51·9	50·5
2nd quarter	368	411	28·9	33·5	57·0	49·8
3rd quarter	334	399	28·2	26·4	57·4	47·9
4th quarter	314	430	29·9	26·5	61·1	48·1
1973 1st quarter	381	461	31·6	25·5	62·8	50·7
2nd quarter	317	456	27·5	30·2	54·9	48·7
3rd quarter	300	486	27·2	26·8	53·0	45·0
4th quarter	242(1)		26·5	25·0	44·2	41·7

(1) Provisional.

Stock changes



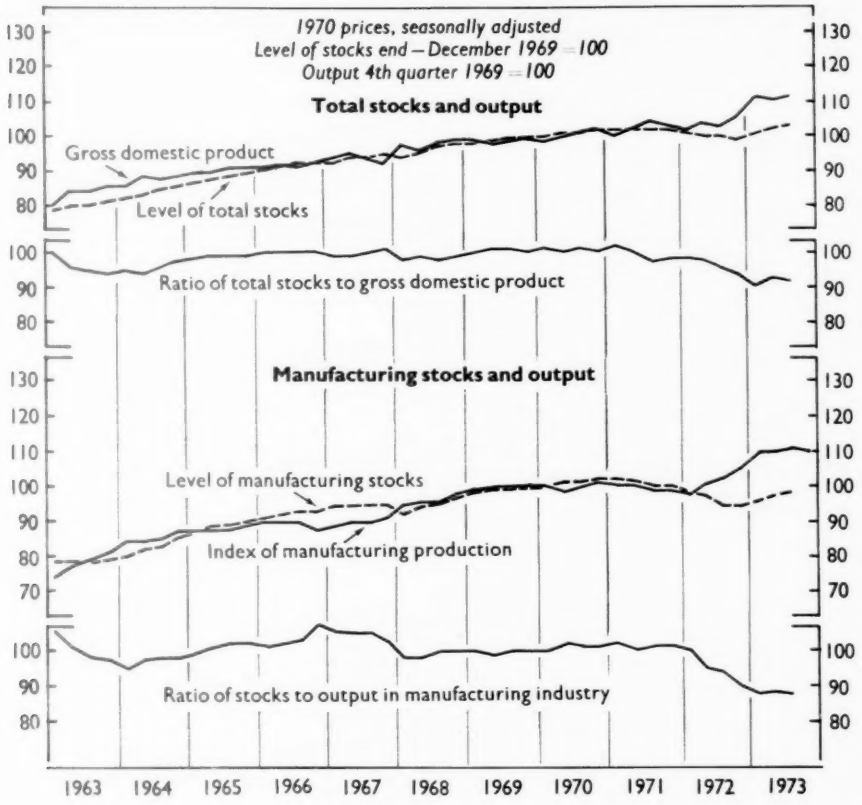
Stock changes are the value of physical increase or decrease of stocks and work in progress at constant prices, for the whole economy, for manufacturing and for wholesale and retail distribution.

£ million, 1970 prices, seasonally adjusted

	Total §	Manufacturing §	Distribution
1969 1st quarter	157	140	34
2nd quarter	107	83	6
3rd quarter	70	24	12
4th quarter	85	73	3
1970 1st quarter	— 21	22	—26
2nd quarter	125	76	20
3rd quarter	106	26	13
4th quarter	47	51	23
1971 1st quarter	114	10	— 8
2nd quarter	—103	—113	33
3rd quarter	— 18	— 68	24
4th quarter	—	— 47	24
1972 1st quarter	—136	—156	6
2nd quarter	—104	—145	28
3rd quarter	— 87	—125	— 4
4th quarter	— 85	— 72	20
1973 1st quarter	253	168	70
2nd quarter	213	87	150
3rd quarter	138	91	53
4th quarter			

Relationship of stocks and output (stock/output ratios)

The level of stocks rises broadly with the level of output but the stock cycle lags behind the output cycle; the ratio of stocks to output therefore fluctuates: stocks are sometimes high in relation to output, sometimes low.

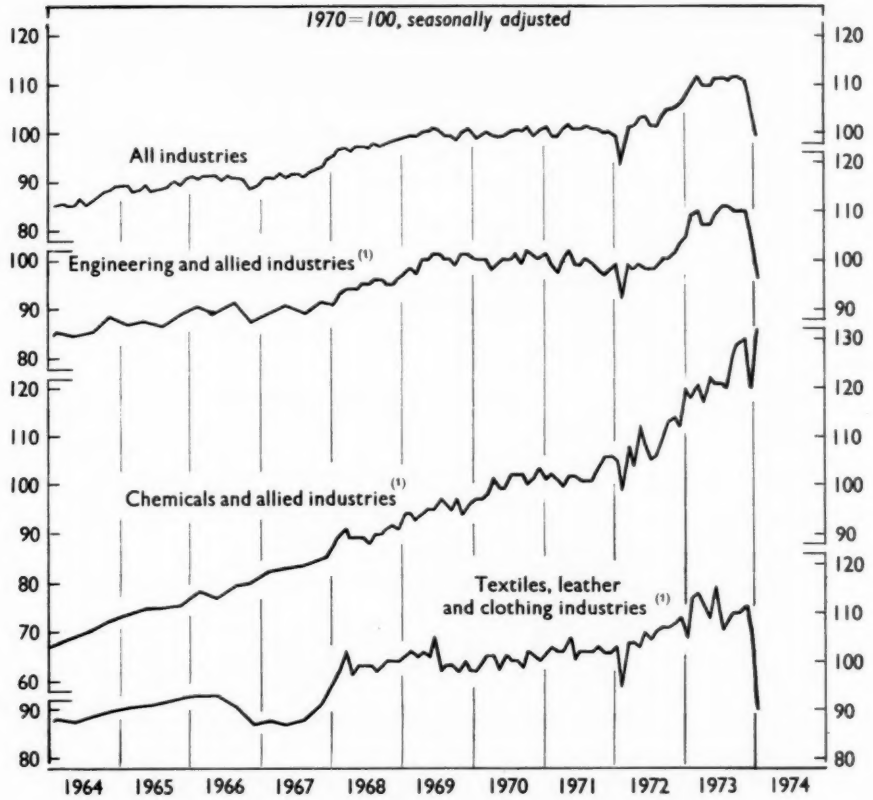


1970 prices, seasonally adjusted { Level of stocks end-Dec. 1969 = 100 / Output 4th quarter 1969 = 100

	Level of total stocks	Gross domestic product (1)	Ratio of total stocks to gross domestic product	Level of manufacturing stocks	Index of manufacturing production	Ratio of stocks to output in manufacturing industry
1969 1st quarter	98	99	100	98	98	100
2nd quarter	99	98	101	99	100	99
3rd quarter	100	99	101	99	100	100
4th quarter	100	100	100	100	100	100
1970 1st quarter	100	99	101	100	100	100
2nd quarter	101	100	100	101	99	102
3rd quarter	101	101	101	101	100	101
4th quarter	102	102	100	102	101	101
1971 1st quarter	102	100	102	102	100	102
2nd quarter	102	102	100	101	100	100
3rd quarter	102	104	97	100	99	101
4th quarter	102	103	98	100	99	101
1972 1st quarter	101	102	98	98	98	100
2nd quarter	100	104	97	97	101	95
3rd quarter	100	103	96	95	102	94
4th quarter	99	105	94	95	105	90
1973 1st quarter	101	111	90	96	110	87
2nd quarter	102	110	93	97	110	88
3rd quarter	103	111	92	98	111	87
4th quarter					110	

(1) Based on expenditure data.

Index of industrial production



The index of industrial production covers about half of the gross domestic product.

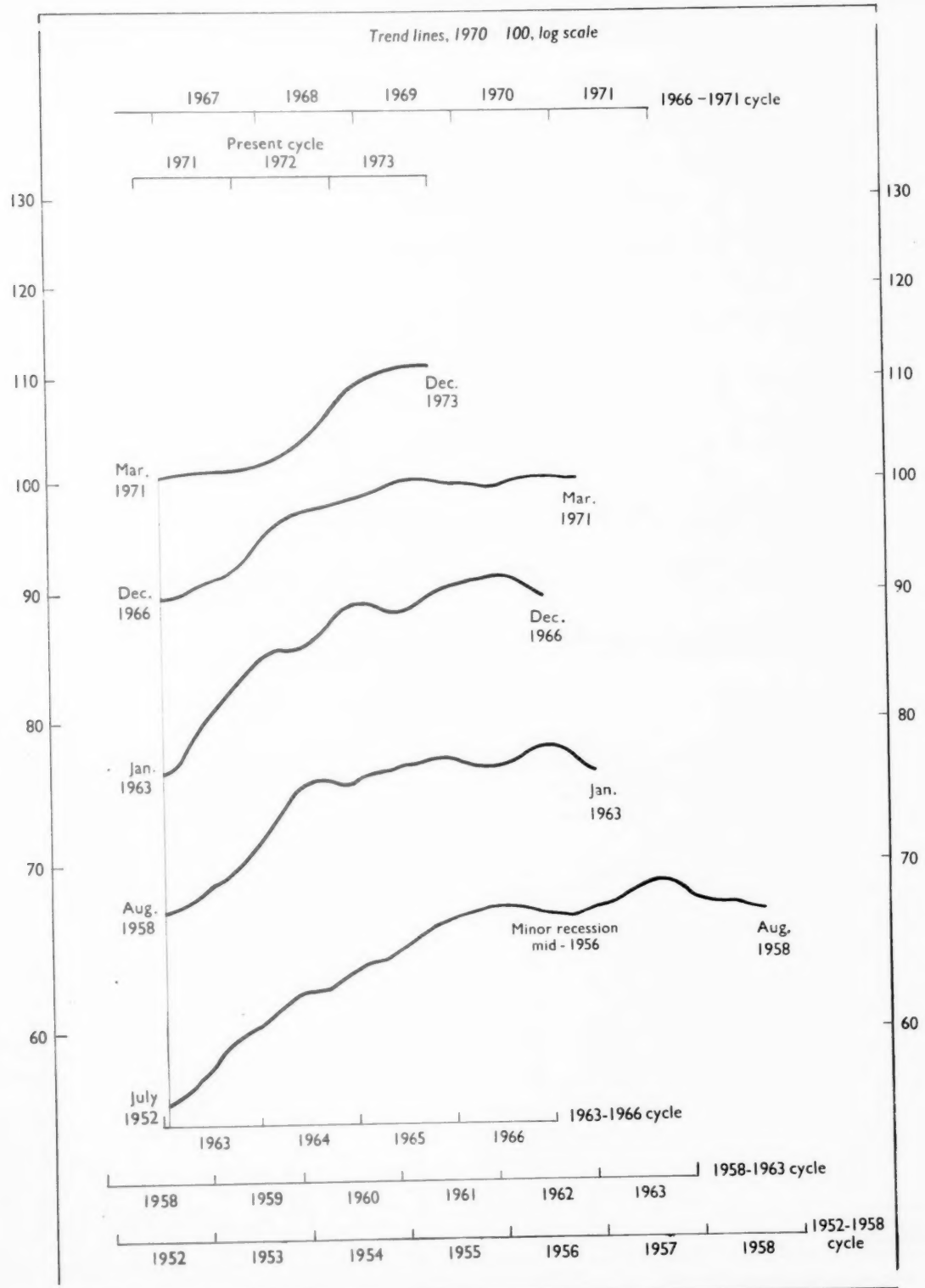
1970 = 100, seasonally adjusted

		All industries §	Manufacturing industries §		
			Engineering and allied industries	Chemicals and allied industries	Textiles, leather and clothing industries
	Weights	*1,000*	*319*	*58*	*76*
1972	January	99·9	99	105	103
	February	93·1	92	99	95
	March	101·0	99	108	104
	April	101·6	98	104	104
	May	103·0	99	112	103
	June	103·5	98	108	106
	July	101·9	98	105	105
	August	101·6	98	106	106
	September	104·0	100	111	107
	October	104·9	100	113	107
	November	105·5	101	114	108
	December	105·7	103	112	109
1973	January	108·3	105	120	105
	February	110·6	109	119	113
	March	111·8	110	121	114
	April	109·6	107	117	112
	May	109·5	107	122	109
	June	110·7	109	121	115
	July	110·9	111	121	107
	August	110·2	111	120	108
	September	111·2	110	127	110
	October	111·2	110	129	110
	November	110·3	110	130	111
	December	106·5	106	120	106
1974	January	99·7	96	132	90
	February				
	March				

(1) Quarterly data only before 1968.

Cycles of industrial production

This chart shows cycles in the index of production (all industries).



Changes in stocks, manufacturing production and imports of industrial materials

Imports of industrial materials rise or fall with rising or falling manufacturing production and stockbuilding.

Seasonally adjusted

	Volume of imports of industrial materials (1)	Manufacturing industry	
		Production	Stock changes
	1970 = 100		£ million, 1970 prices
1969 1st quarter	95	98	140
2nd quarter	96	100	83
3rd quarter	97	100	24
4th quarter	95	100	73
1970 1st quarter	96	100	22
2nd quarter	103	99	76
3rd quarter	95	100	26
4th quarter	106	101	51
1971 1st quarter	98	100	10
2nd quarter	100	100	—113
3rd quarter	100	99	— 68
4th quarter	104	99	— 47
1972 1st quarter	106	98	—156
2nd quarter	109	101	—145
3rd quarter	(2)	102	—125
4th quarter	122	105	— 72
1973 1st quarter	127	110	168
2nd quarter	126	110	87
3rd quarter	127	111	91
4th quarter	136	110	

(1) Basic materials and semi-finished manufactures. (2) Not available, affected by the dock strike.

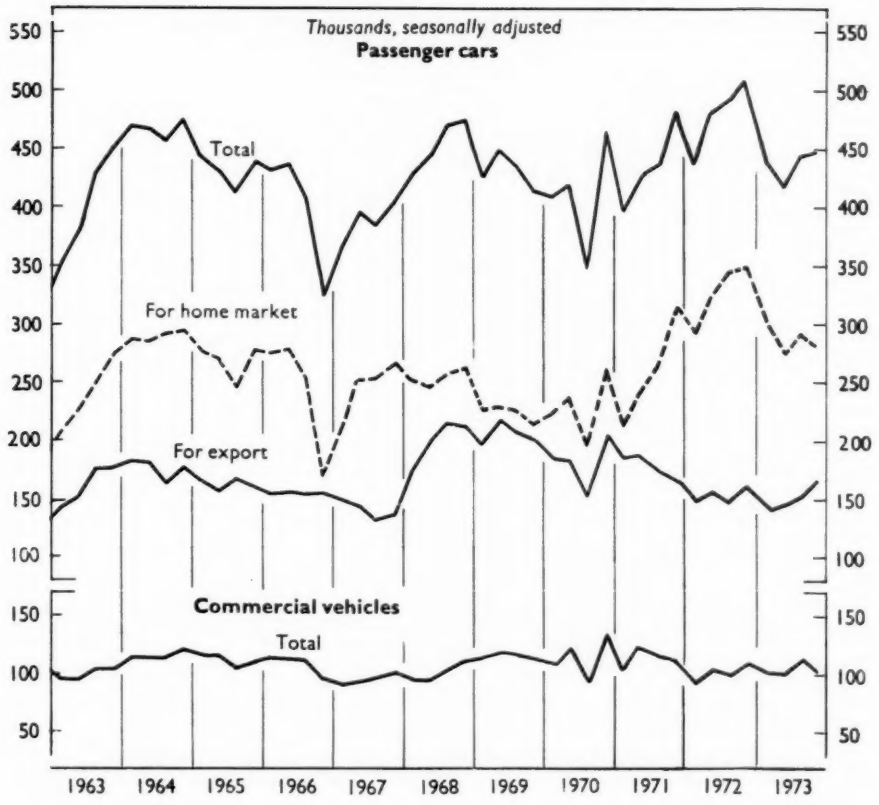
Steel

Thousand tonnes, seasonally adjusted

	Crude steel production §	Finished steel consumption(1)	Changes in consumers' and merchants' stocks(1)
1969 1st quarter	6,917	4,434	+271
2nd quarter	6,912	4,525	+206
3rd quarter	6,375	4,419	— 16
4th quarter	6,669	4,404	+ 67
1970 1st quarter	6,911	4,514	+142
2nd quarter	6,949	4,364	+123
3rd quarter	6,918	4,463	+193
4th quarter	7,091	4,296	+166
1971 1st quarter	6,325	4,520	—118
2nd quarter	5,976	4,158	—214
3rd quarter	6,412	4,067	—180
4th quarter	5,560	3,977	—327
1972 1st quarter	5,228	3,933	— 27
2nd quarter	6,520	4,043	—145
3rd quarter	6,731	4,275	+ 36
4th quarter	6,875	4,499	+116
1973 1st quarter	6,674	4,668	+135
2nd quarter	6,418	4,369	+205
3rd quarter(2)	6,963	4,640	+210
4th quarter(2)	6,649	4,837	+190

(1) From 1st quarter 1971 includes welded tubes, over 400mm internal diameter, previously excluded.
(2) Provisional.

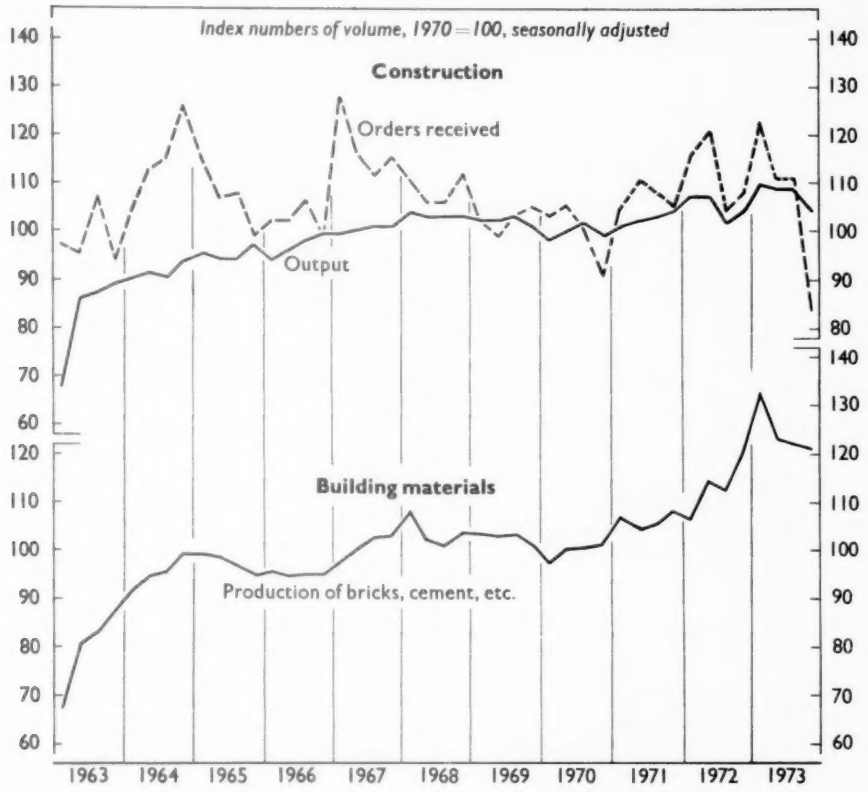
Motor vehicle production



Thousands, seasonally adjusted

	Passenger cars			Commercial vehicles §
	Total	For home market §	For export §	Total
1969 1st quarter	423·6	226·2	197·4	114·4
2nd quarter	447·9	229·2	218·7	119·4
3rd quarter	433·8	225·6	208·2	119·0
4th quarter	411·7	211·7	200·0	112·9
1970 1st quarter	407·8	223·2	184·6	109·1
2nd quarter	418·8	236·3	182·5	121·0
3rd quarter	346·9	196·2	150·7	93·6
4th quarter	467·4	262·4	205·0	133·8
1971 1st quarter	395·2	210·8	184·4	101·1
2nd quarter	428·9	240·7	188·2	123·6
3rd quarter	436·6	262·0	174·6	117·5
4th quarter	481·2	313·9	167·3	113·9
1972 1st quarter	439·5	290·3	149·2	92·0
2nd quarter	480·5	323·6	156·9	104·0
3rd quarter	491·8	345·0	146·8	100·7
4th quarter	509·5	349·0	160·5	111·4
1973 1st quarter	437·7	297·5	140·2	102·1
2nd quarter	417·3	272·3	145·0	101·4
3rd quarter	444·4	292·3	152·1	112·5
4th quarter	447·9	280·1	167·8	100·7

Construction industry

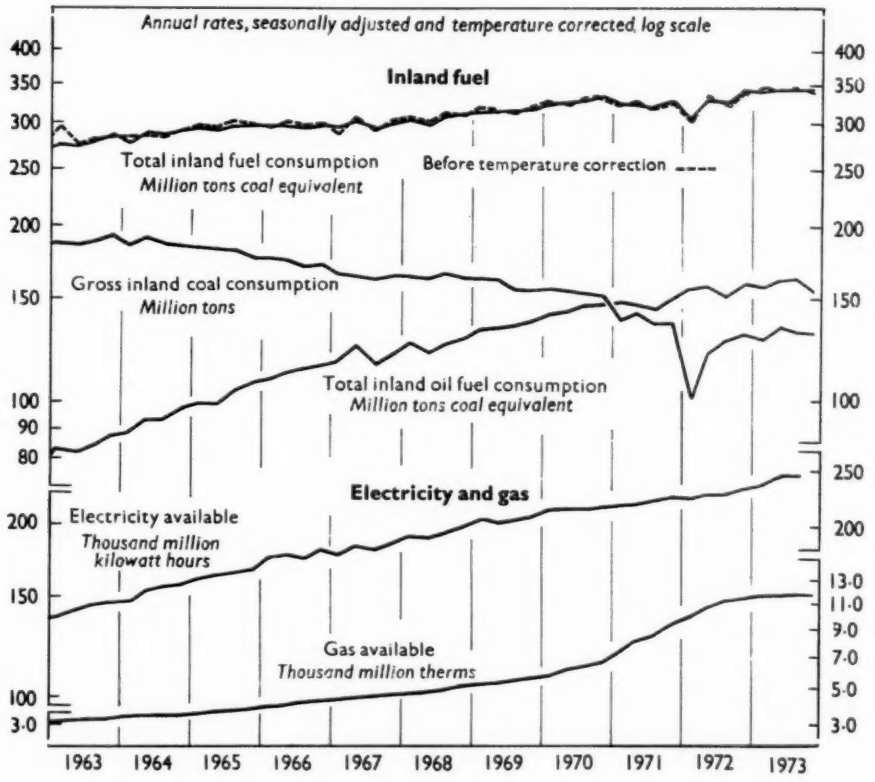


Index numbers of volume, 1970 = 100, seasonally adjusted

	Construction		Production of bricks, cement, etc.(1)
	Output(2) §	Orders received	
1969 1st quarter	102	102	104
2nd quarter	102	99	103
3rd quarter	103	103	103
4th quarter	101	105	101
1970 1st quarter	98	103	98
2nd quarter	100	105	100
3rd quarter	102	101	101
4th quarter	99	91	101
1971 1st quarter	101	105	107
2nd quarter	102	111	105
3rd quarter	103	108	106
4th quarter	104	105	108
1972 1st quarter	107	116	107
2nd quarter	107	121	114
3rd quarter	102	104	112
4th quarter	104	108	121
1973 1st quarter	110	123	133
2nd quarter	109	111	124
3rd quarter	109	111	122
4th quarter	104(3)	84(3)	121

(1) Index of industrial production series.
(2) Construction output figures include repair and maintenance, direct labour of public sector and estimates of unrecorded output by small firms and self-employed workers.
(3) Provisional.

Inland fuel and power consumption

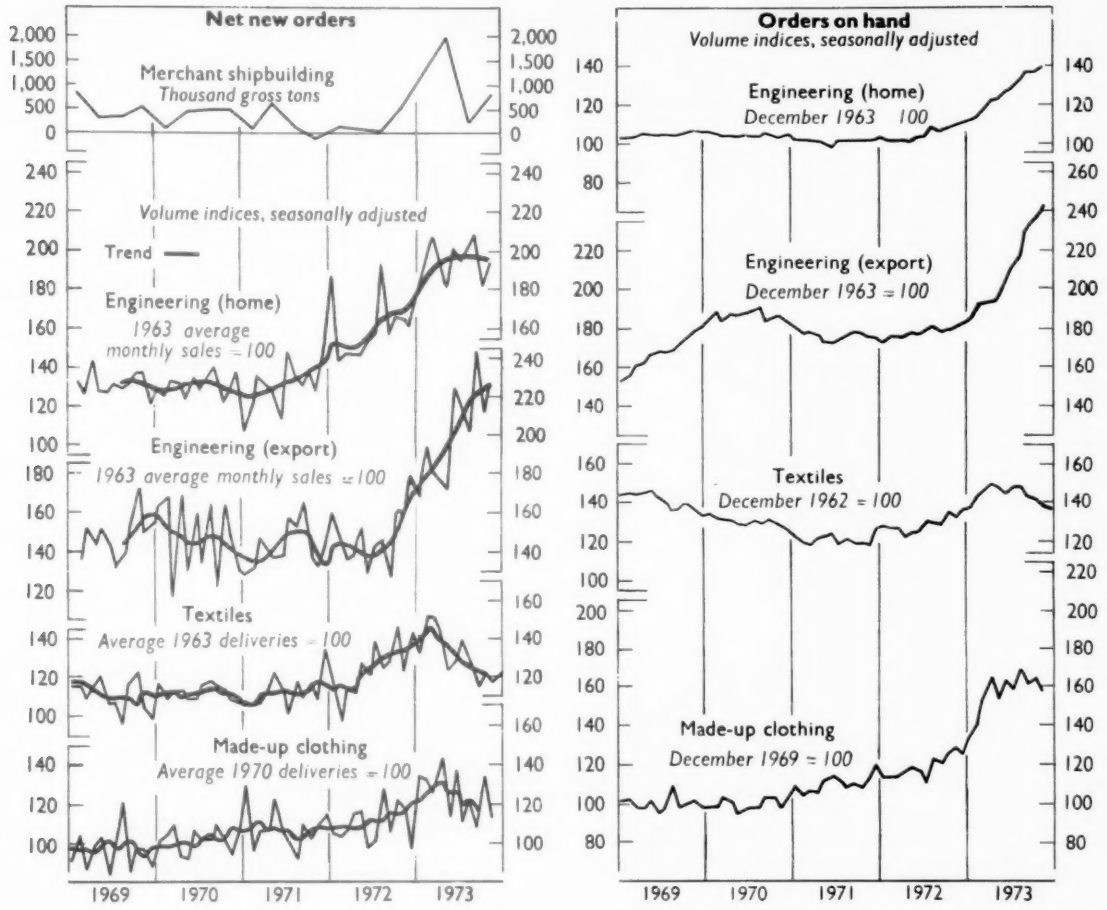


Annual rates, seasonally adjusted and temperature corrected

	Total inland fuel consumption (1)	Gross inland coal consumption	Total inland oil fuel consumption	Electricity available (2) (GB)	Gas available (3) (GB)
	Million tons coal equivalent	Million tons	Million tons coal equivalent	Th. million kilowatt hours	Thousand million therms
1969 1st quarter ..	312·1	162·6	132·7	207·1	5·19
2nd quarter ..	315·5	161·9	133·4	202·2	5·28
3rd quarter ..	315·3	157·3	134·1	203·1	5·46
4th quarter ..	318·5	156·6	138·2	208·6	5·66
1970 1st quarter ..	322·9	157·1	141·1	212·7	5·88
2nd quarter ..	325·6	154·9	143·5	213·4	6·17
3rd quarter ..	329·6	153·2	148·8	213·3	6·43
4th quarter ..	333·1	151·5	149·2	215·2	6·73
1971 1st quarter ..	324·3	140·3	149·3	217·0	7·33
2nd quarter ..	323·9	140·7	147·8	218·3	8·01
3rd quarter ..	319·9	137·6	144·3	220·1	8·52
4th quarter ..	329·5	137·6	150·9	223·3	9·15
1972 1st quarter ..	308·6	101·9	157·9	222·4	9·98
2nd quarter ..	330·7	122·2	159·0	227·8	10·70
3rd quarter ..	328·8	128·9	152·6	228·3	11·18
4th quarter ..	341·6	130·6	160·5	233·8	11·42
1973 1st quarter ..	340·6	129·6	158·8	237·8	11·51
2nd quarter ..	344·1	134·2	162·1	244·8	11·57
3rd quarter ..	343·2	132·0	162·7	243·5	11·62
4th quarter ..	343·9	131·1	154·9	..	11·66

(1) Includes consumption of nuclear energy. (2) The inclusion of Northern Ireland would add about 2% to the total. (3) The inclusion of Northern Ireland would add about 0·5% to the total.

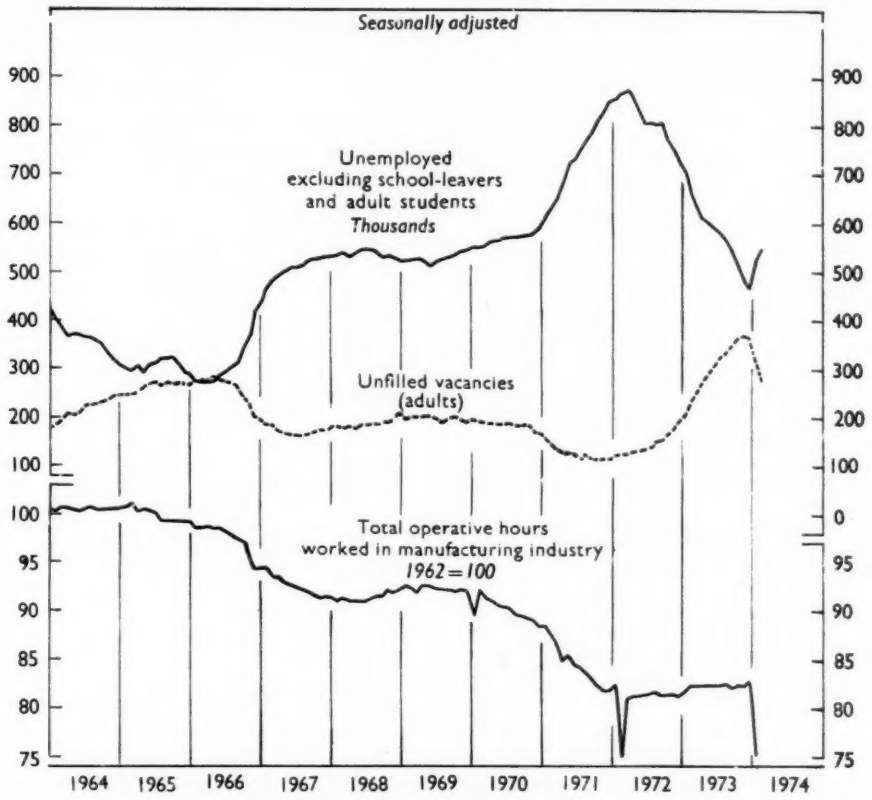
Orders: selected manufacturing industries



	Engineering industries (1)				Textiles industry		Made-up clothing industry		Merchant shipbuilding
	Home market		Export						
	Orders on hand end of period	Net new orders	Orders on hand end of period	Net new orders	Orders on hand end of period	Net new orders	Orders on hand end of period	Net new orders	Net new orders
	Dec.1963=100	1963 average monthly sales=100	Dec.1963=100	1963 average monthly sales=100	Dec.1962=100	Average 1963 deliveries=100	Dec.1969=100	Average 1970 deliveries=100	Thousand gross tons
	Seasonally adjusted								
1971 1st qtr. . .	101	122	178	134	118	106	107	110	98
2nd qtr. . .	98	125	173	137	124	116	115	111	622
3rd qtr. . .	101	140	178	156	120	110	110	101	141
4th qtr. . .	102	139	175	137	126	120	119	109	—101
1972 1st qtr. . .	101	160	176	147	125	110	113	105	143
2nd qtr. . .	103	149	177	140	124	120	116	110	72
3rd qtr. . .	107	170	178	139	128	131	120	112	22
4th qtr. . .	110	165	184	168	135	138	125	113	585
1973 1st qtr. . .	117	191	192	181	145	146	153	131	1,293
2nd qtr. . .	125	192	204	191	145	132	163	131	1,992
3rd qtr. . .	136	203	230	218	143	127	161	114	243
4th qtr. . .					135	120			829
October. .	136	182	236	211	141	121	164	134	
November	138	194	243	224	139	117	157	115	
December					135	121			

(1) Mechanical, instrument and electrical engineering (SIC Orders VII, VIII and IX).

Unemployment and unfilled vacancies, hours worked
Great Britain



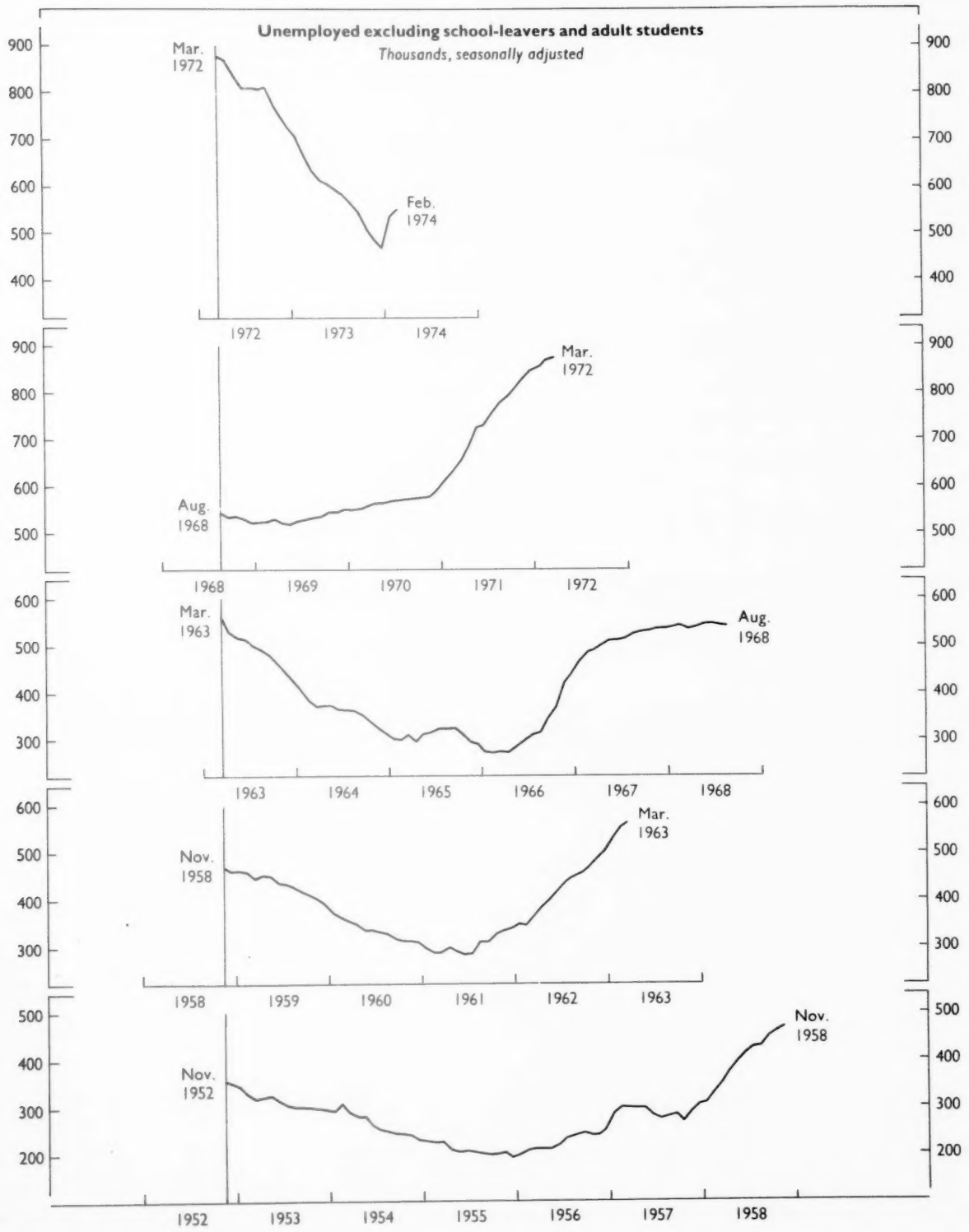
	Unemployed excluding school-leavers and adult students			Unfilled vacancies § (adults)		Total operative hours worked in manufacturing industry
	Total §		Production industries			
	Actual	Seasonally adjusted(¹)	Actual	Actual	Seasonally adjusted(¹)	1962=100 Seasonally adjusted
	Thousands					
1972 January	917	858	504	103	121	82·5
February	917	869	502	112	124	75·1
March	918	875	503	119	126	81·3
April	895	868	487	130	129	81·5
May	822	839	451	140	131	81·5
June	757	808	415	156	137	81·6
July	756	809	405	153	140	81·6
August	772	806	407	154	149	82·0
September	781	809	411	158	153	81·7
October	766	776	390	166	164	81·8
November	757	752	374	174	179	81·8
December	733	721	361	180	193	81·5
1973 January	760	702	376	185	203	81·9
February	711	663	348	219	230	82·6
March	678	635	331	244	252	82·6
April	644	616	313	273	271	82·6
May	588	605	289	301	291	82·6
June	541	593	268	323	304	82·6
July	528	581	257	337	324	82·6
August	530	563	256	335	330	82·7
September	514	542	246	353	349	82·3
October	502	512	235	365	363	82·6
November	491	486	228	363	368	82·5
December	483	470	229	348	362	83·0
1974 January	593	535	292	285	304	75·2
February	596	549	297	267	278	
March						

(¹) Series updated from January 1971 to take account of 1973 data.

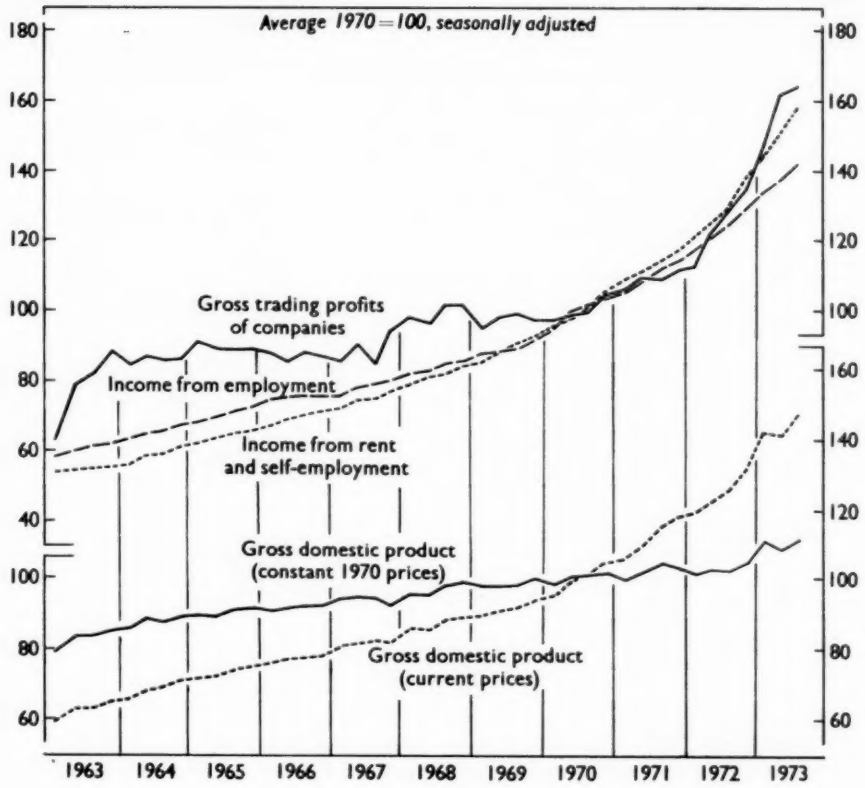
Present and previous cycles of unemployment

Great Britain

The unemployment cycle has usually lagged some months behind the production cycle (see page 19).



Incomes and output



Incomes have generally risen faster than output; as a consequence gross domestic product has grown faster in money value than in real terms.

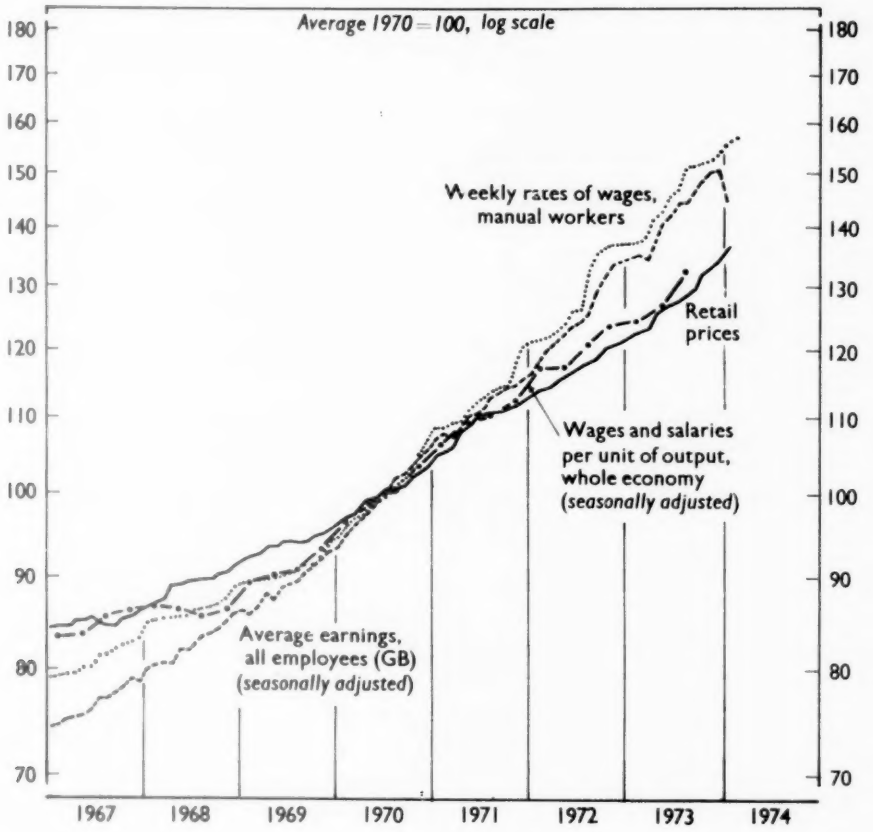
Average 1970 = 100, seasonally adjusted

	Income from employment §	Gross trading profits of companies §	Income from rent and self-employment §	Gross domestic product(1)	
				At current prices	At constant (1970) prices §
Value in 1972 (£ million)	*37,138*	*6,584*	*8,946*	*53,464*	*44,212*
1969 1st quarter	87·6	94·7	85·7	89·5	98·2
2nd quarter	88·4	98·1	88·3	90·5	97·9
3rd quarter	89·7	99·4	90·5	92·1	98·4
4th quarter	92·7	97·4	92·9	94·1	99·7
1970 1st quarter	94·5	97·2	94·8	95·2	98·3
2nd quarter	99·4	99·0	98·2	99·1	100·1
3rd quarter	102·2	99·5	101·9	100·9	100·4
4th quarter	104·0	104·3	105·1	104·8	101·2
1971 1st quarter	106·1	106·5	107·6	105·7	99·9
2nd quarter	109·1	109·5	110·6	110·0	101·3
3rd quarter	112·3	108·7	114·0	116·3	103·9
4th quarter	114·3	111·4	116·9	118·1	103·1
1972 1st quarter	116·9	113·6	121·0	119·8	102·0
2nd quarter	121·1	122·3	125·2	122·6	103·3
3rd quarter	124·5	128·2	128·5	125·9	103·0
4th quarter	129·8	134·8	138·2	131·6	105·0
1973 1st quarter	134·0	148·7	145·6	142·1	110·9
2nd quarter	138·0	162·4	151·6	141·5	109·1
3rd quarter	142·9	164·0	158·5	147·3	111·1
4th quarter					

(1) Gross domestic product at factor cost, based on expenditure data.

Wage rates, earnings, wages and salaries per unit of output and retail prices

Wage and salary earnings tend to rise together and faster than retail prices. In most periods, earnings rise faster than basic rates of pay but, with increasing productivity, wages and salaries per unit of output rise more slowly.

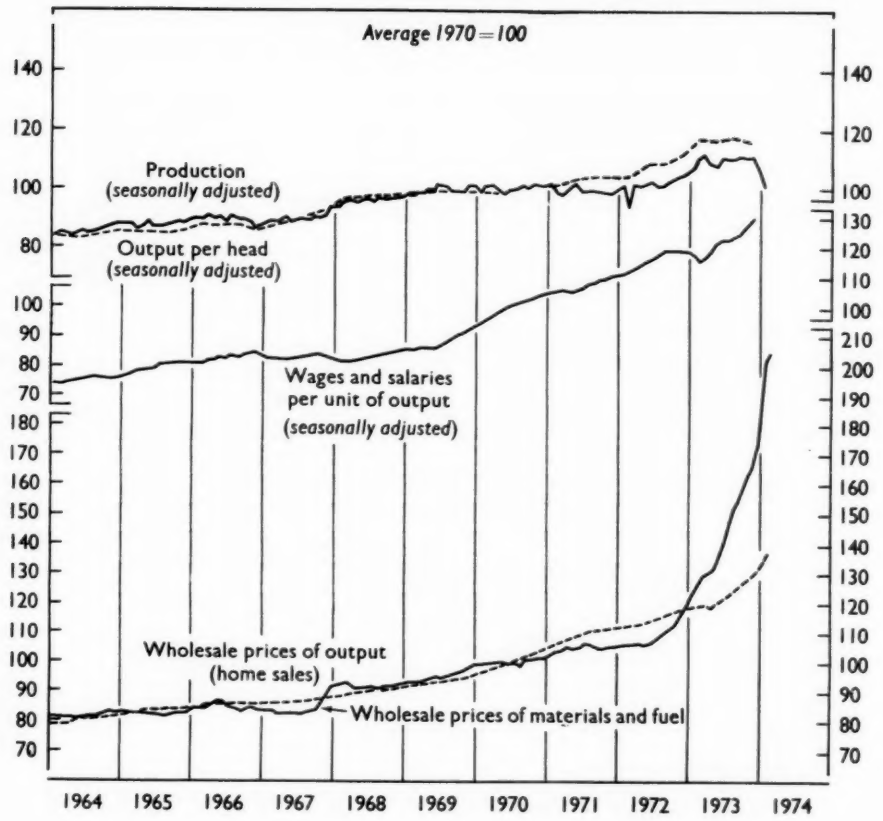


Average 1970 = 100

	Weekly rates of wages, manual workers	Average earnings, all employees (GB) §	Wages and salaries per unit of output, whole economy	General index of retail prices
	Seasonally adjusted			
1969 1st quarter	89·6	86·4	89·4	92·5
2nd quarter	90·0	88·2	90·2	94·0
3rd quarter	91·0	89·8	90·9	94·2
4th quarter	92·8	92·3	93·3	95·4
1970 1st quarter	96·0	95·2	96·8	97·1
2nd quarter	98·3	98·4	98·9	99·5
3rd quarter	100·8	101·5	100·6	100·6
4th quarter	104·8	104·9	103·5	102·7
1971 1st quarter	108·8	107·4	106·8	105·5
2nd quarter	111·1	109·8	109·1	109·3
3rd quarter	113·9	112·9	110·8	110·8
4th quarter	117·7	114·9	112·7	112·2
1972 1st quarter	121·7	118·3(¹)	117·2	113·9
2nd quarter	124·4	122·4	117·2	116·1
3rd quarter	131·1	126·6	121·1	117·9
4th quarter	136·8	133·1	123·6	120·8
1973 1st quarter	137·8	134·7	124·9	123·0
2nd quarter	143·8	139·9	127·2	126·9
3rd quarter	149·8	145·1	132·5	128·8
4th quarter	152·7	149·9		133·2

(¹) As industrial activity was severely disrupted by restricted electricity supplies, no enquiry was held in February. The index is therefore given as an average of the January and March figures.

Manufacturing industry: output, costs and prices



There are cyclical variations in the growth of output per head and in wages and salaries per unit of output. Wholesale prices of output are not generally sensitive to these short-term fluctuations but follow rather their long-term trend.

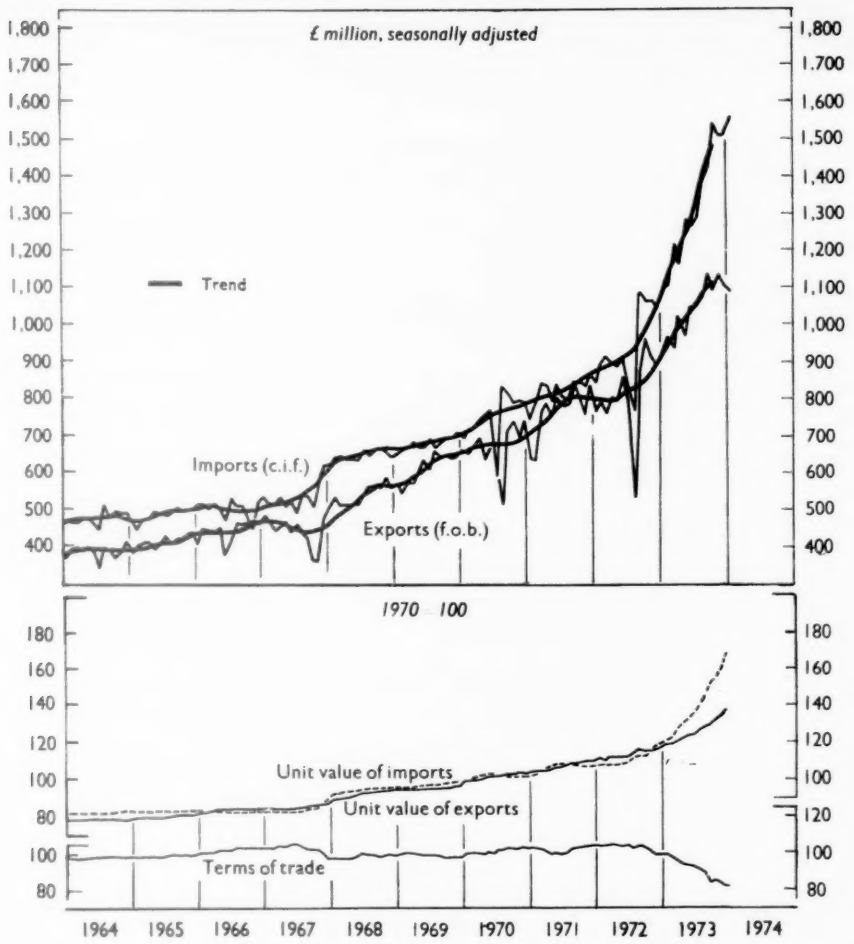
Average 1970 = 100

	Production	Output per head	Wages and salaries per unit of output	Wholesale prices	
	Seasonally adjusted			Materials and fuel(1)	Output Home sales(2)
1969 1st quarter ..	98·2	98·2	85·8	93·1	92·2
2nd quarter ..	100·1	99·7	86·4	94·3	92·9
3rd quarter ..	99·6	99·2	88·7	95·2	93·7
4th quarter ..	99·7	99·1	91·9	97·5	94·7
1970 1st quarter ..	99·7	99·3	95·3	99·2	96·7
2nd quarter ..	99·2	98·9	99·3	99·7	98·9
3rd quarter ..	100·2	100·3	101·7	99·8	100·9
4th quarter ..	100·8	101·4	103·7	101·4	103·4
1971 1st quarter ..	99·7	100·8	105·6	103·0	106·3
2nd quarter ..	100·2	103·1	106·1	104·9	108·7
3rd quarter ..	99·3	103·3	108·4	105·6	110·3
4th quarter ..	98·8	104·1	109·9	104·8	110·8
1972 1st quarter ..	98·3	104·7	111·8(3)	105·6	112·1
2nd quarter ..	101·2	108·1	115·1	106·1	113·5
3rd quarter ..	101·8	108·8	118·7	109·4	115·6
4th quarter ..	104·9	112·2	119·7	115·6	118·0
1973 1st quarter ..	110·4	117·7	117·0	126·0	119·5
2nd quarter ..	110·2	117·0	121·4	133·4	120·1
3rd quarter ..	111·4	118·0	124·5	150·5	124·2
4th quarter ..	110·4	116·7		167·2	129·1

(1) Revised method of calculation to include levies on certain imported foods from 3rd quarter 1971. (2) Reductions in the VAT-exclusive prices of alcoholic liquor, tobacco and cigarettes, matches and mechanical lighters took place in April. These reductions resulted from lower revenue duties designed to offset additional tax revenue from VAT. With unchanged prices in April for these products, index numbers for quarters from 2nd quarter 1973 onwards would have been higher by 1·7. (3) Average of the January and March figures. See footnote (1) on page 29.

Exports and imports: terms of trade

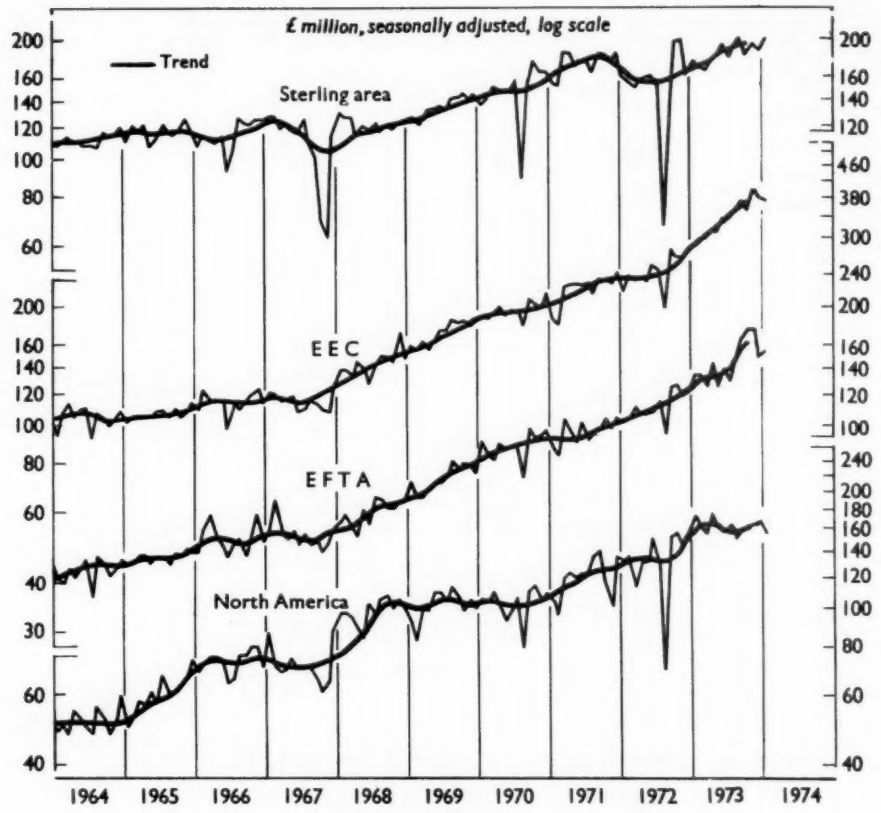
The index numbers of unit value give measures of price changes in United Kingdom exports and imports. A rise in the terms of trade (unit value index for exports divided by unit value index for imports) is favourable to the visible balance of payments.



	Exports (f.o.b.) §	Imports (c.i.f.) §	Unit value of exports	Unit value of imports	Terms of trade
	£ million, seasonally adjusted		1970=100		
1972 July	801	813	112·1	110·2	101·7
August (¹)	532	771	115·5	111·5	103·6
September (¹)	871	1,087	114·6	110·8	103·4
October	954	1,066	114·1	113·1	100·9
November	914	1,067	115·0	116·3	98·9
December	893	1,039	116·2	118·2	98·3
1973 January	938	1,092	118·0	119·1	99·1
February	959	1,100	118·3	121·9	97·0
March	939	1,211	119·7	125·7	95·2
April	1,018	1,156	121·9	129·5	94·1
May	972	1,280	123·0	132·3	93·0
June	1,041	1,271	123·9	134·7	92·0
July	1,044	1,290	125·6	138·9	90·4
August	1,074	1,392	127·8	144·8	88·3
September	1,136	1,428	128·5	152·1	84·5
October	1,094	1,540	132·0	154·9	85·2
November	1,134	1,516	133·8	161·3	83·0
December	1,110	1,518	138·0	168·5	81·9
1974 January	1,097	1,571			
February					
March					

Note : The figures on this page are calculated on an *Overseas Trade Statistics* basis. No adjustment has been made for factors affecting the recording of exports. The imports figures exclude US military aircraft.
(¹) Affected by the dock strike.

Exports: analysis by destination

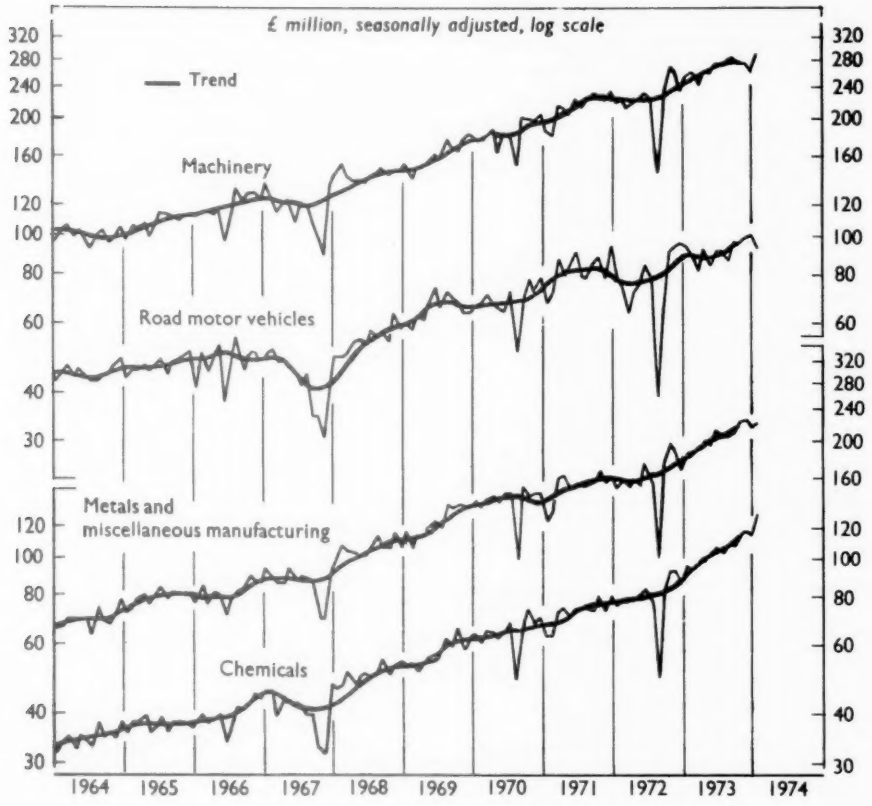


£ million, seasonally adjusted

		Total	Sterling area outside Europe(1)	EEC(2)	EFTA(2)	North America
1972	January	768	161	219	102	132
	February	794	156	239	103	136
	March	763	150	232	111	114
	April	800	158	235	108	131
	May	798	159	231	108	132
	June	856	161	251	109	150
	July	801	152	246	116	129
	August	532	67	199	95	70
	September	871	144	278	127	152
	October	954	198	268	128	155
	November	914	199	267	120	144
	December	893	162	273	122	153
1973	January	938	174	284	135	170
	February	959	170	297	135	160
	March	939	168	296	127	154
	April	1,018	176	312	144	172
	May	972	182	310	125	160
	June	1,041	194	336	138	156
	July	1,044	180	339	130	162
	August	1,074	194	355	149	152
	September	1,136	201	371	167	160
	October	1,094	183	351	175	161
	November	1,134	195	400	175	163
	December	1,110	188	377	150	165
1974	January	1,097	201	372	153	156
	February					
	March					

(1) Excluding Irish Republic which is included in EEC. (2) 1973 basis.

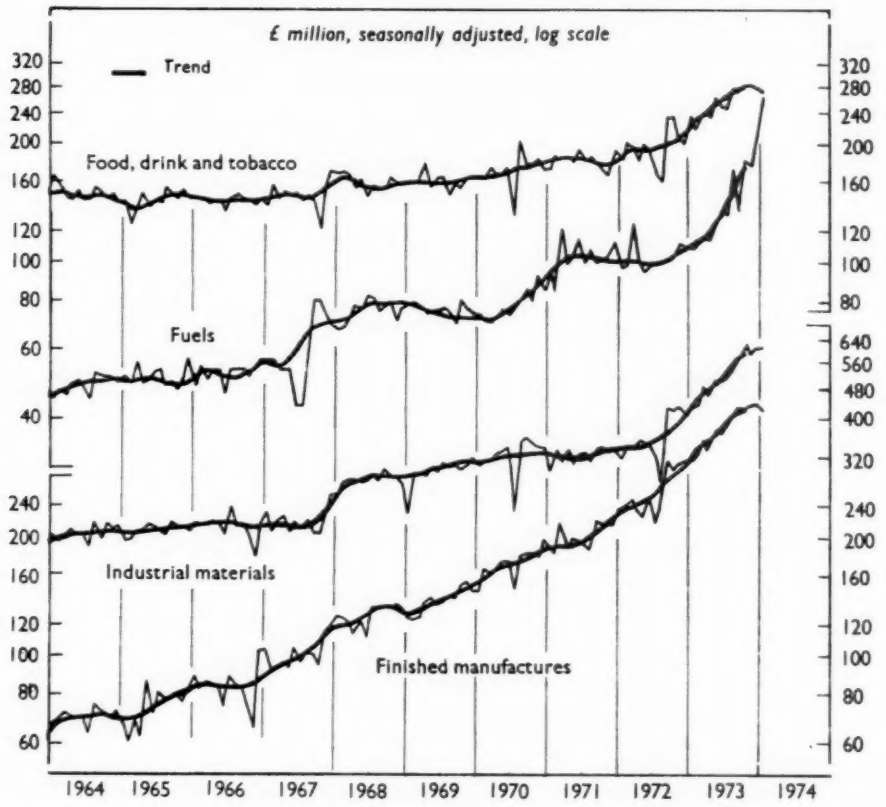
Exports: analysis by commodity classes



£ million, seasonally adjusted

	Total	Machinery	Road motor vehicles	Metals and miscellaneous manufacturing	Chemicals
1972 January	768	220	78	152	76
February	794	225	75	159	79
March	763	213	65	153	77
April	800	224	73	160	80
May	798	223	78	156	82
June	856	232	84	175	84
July	801	227	78	157	79
August	532	148	38	101	50
September	871	241	67	175	83
October	954	269	92	198	93
November	914	261	94	185	93
December	893	234	96	169	87
1973 January	938	259	94	187	96
February	959	262	89	189	94
March	939	245	82	190	99
April	1,018	266	93	199	98
May	972	262	85	194	103
June	1,041	277	92	211	107
July	1,044	276	92	208	104
August	1,074	280	87	201	110
September	1,136	285	97	208	109
October	1,094	277	95	222	117
November	1,134	278	99	226	119
December	1,110	261	101	218	116
1974 January	1,097	292	93	220	130
February					
March					

Imports: analysis by commodity classes

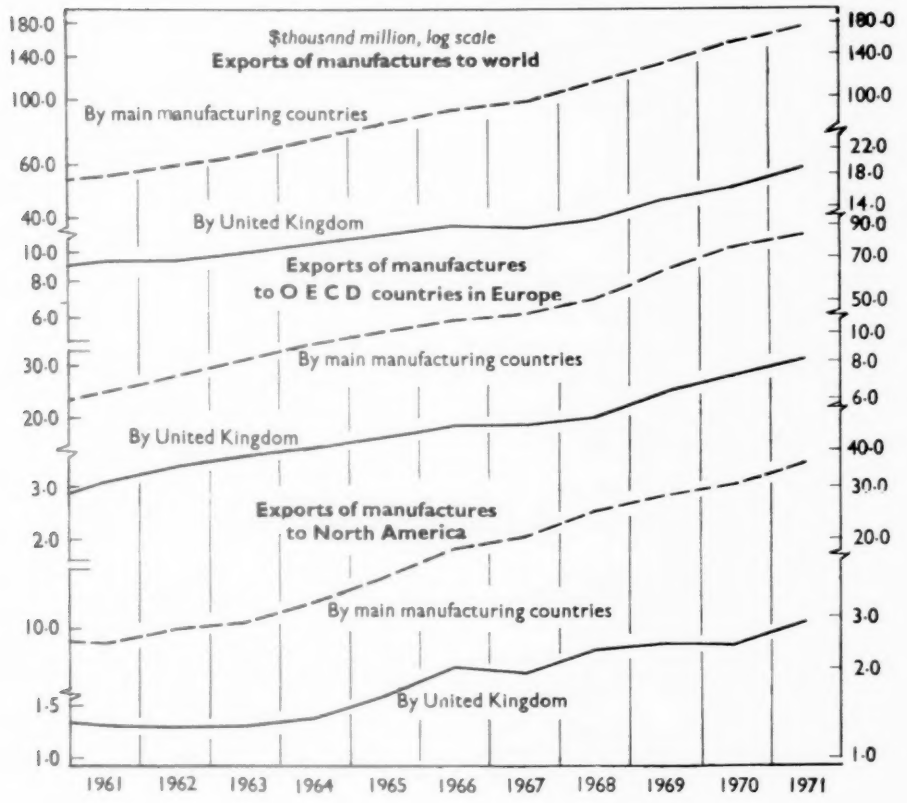


£ million, seasonally adjusted

		Total (1)	Food, drink and tobacco	Fuels	Industrial materials (2)	Finished manufactures (1)
1972	January	836	184	97	315	234
	February	886	202	99	344	240
	March	914	195	126	341	248
	April	890	181	104	348	232
	May	881	198	95	345	225
	June	904	195	99	339	253
	July	813	165	97	315	222
	August	771	161	101	267	239
	September	1,087	234	103	428	311
	October	1,066	235	104	417	298
	November	1,067	208	111	429	309
	December	1,039	202	110	409	317
1973	January	1,092	237	109	427	317
	February	1,100	220	111	434	324
	March	1,211	246	115	488	359
	April	1,156	238	114	460	332
	May	1,280	261	126	504	374
	June	1,271	251	136	502	368
	July	1,290	248	132	509	381
	August	1,392	279	173	535	404
	September	1,428	273	135	567	429
	October	1,540	282	181	624	428
	November	1,516	282	175	584	436
	December	1,518	278	190	611	438
1974	January	1,571	271	263	616	421
	February					
	March					

(1) Excluding US military aircraft, etc. (2) See also page 20.

United Kingdom exports of manufactures in world markets

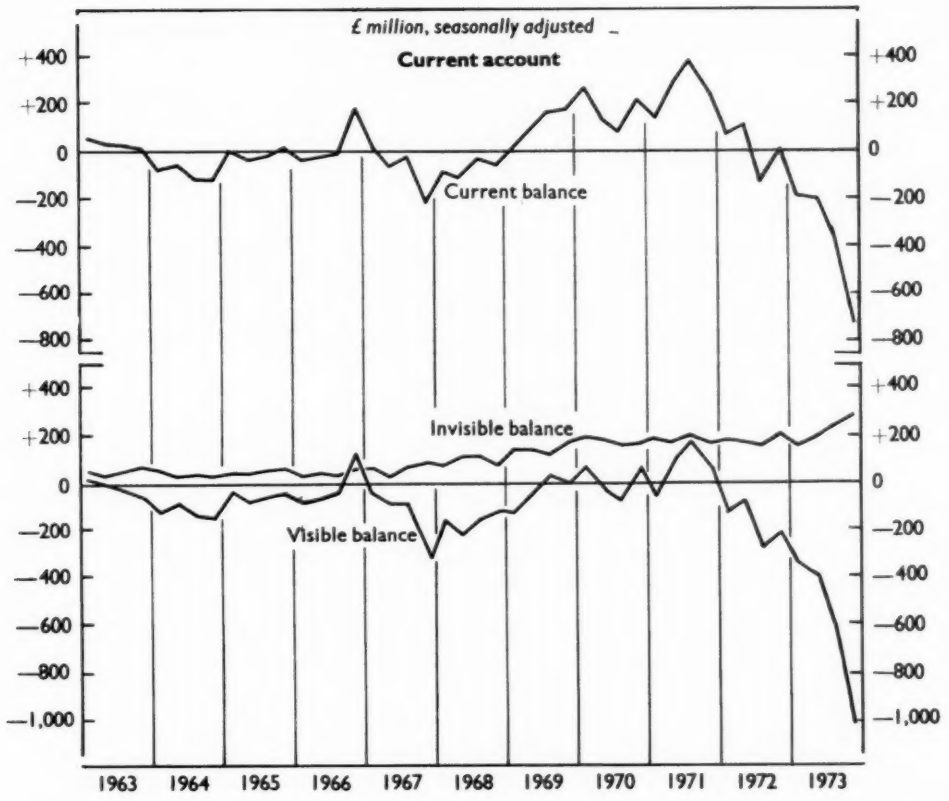


$ thousand million

	To world		To OECD countries in Europe (including Finland and Iceland)		To North America	
	By main manufacturing countries (1)	By United Kingdom	By main manufacturing countries (1)	By United Kingdom	By main manufacturing countries (1)	By United Kingdom
1961	55·47	9·12	24·66	3·14	8·98	1·27
1962	60·10	9·34	27·95	3·51	10·00	1·27
1963	65·15	9·99	31·28	3·86	10·52	1·28
1964	74·35	10·57	35·89	4·17	12·29	1·37
1965	83·01	11·47	39·61	4·43	15·00	1·63
1966	92·92	12·29	43·62	4·85	18·61	2·01
1967	99·45	12·10	45·78	4·89	20·54	1·94
1968	114·50	12·99	51·74	5·21	25·56	2·31
1969	134·08	15·01	63·13	6·36	28·87	2·44
1970	154·32	16·34	75·33	7·26	30·67	2·41
1971	174·02	19·03	83·65	8·29	36·76	2·90

(1) United Kingdom, United States of America, German Federal Republic, France, Italy, Belgium/Luxembourg, Netherlands, Sweden, Switzerland, Canada and Japan.

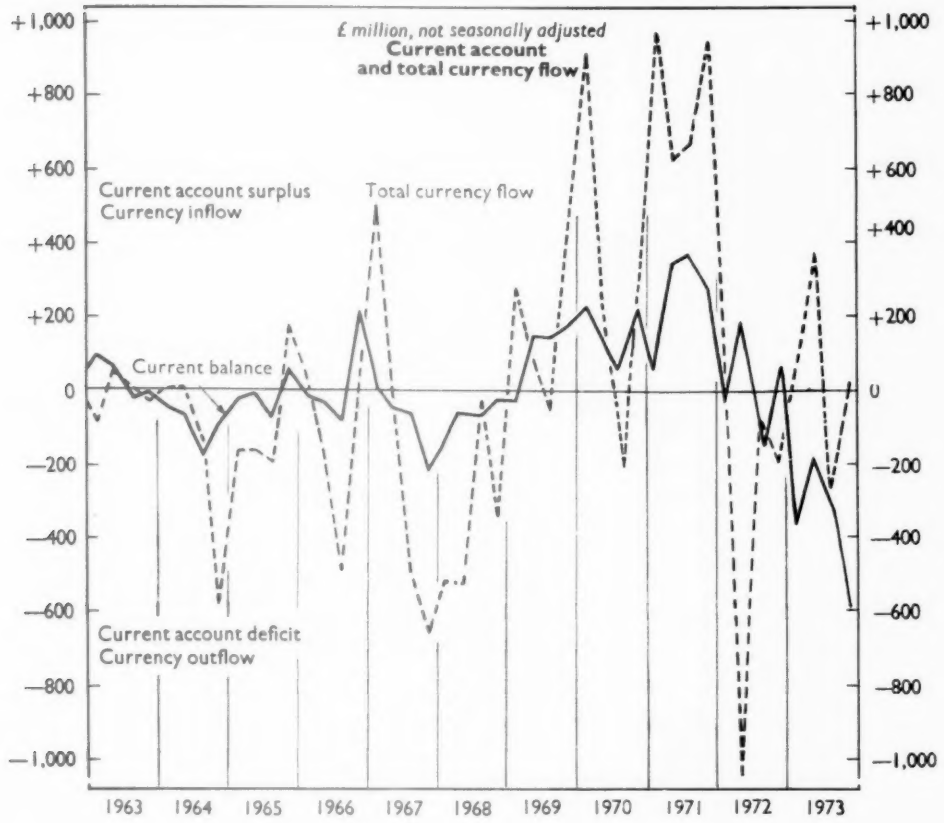
Balance of payments



£ million, seasonally adjusted

	Current account		
	Visible balance	Invisible balance	Current balance
1969 1st quarter	—129	+148	+ 19
2nd quarter	— 48	+144	+ 96
3rd quarter	+ 34	+131	+165
4th quarter	—	+171	+171
1970 1st quarter	+ 59	+197	+256
2nd quarter	— 46	+183	+137
3rd quarter	— 77	+162	+ 85
4th quarter	+ 55	+164	+219
1971 1st quarter	— 52	+199	+147
2nd quarter	+105	+185	+290
3rd quarter	+172	+209	+381
4th quarter	+ 60	+189	+249
1972 1st quarter	—121	+192	+ 71
2nd quarter	— 64	+176	+112
3rd quarter	—284	+168	—116
4th quarter	—208	+210	+ 2
1973 1st quarter	—351	+165	—186
2nd quarter	—399	+203	—196
3rd quarter	—606	+249	—357
4th quarter	—1,019	+290	—729

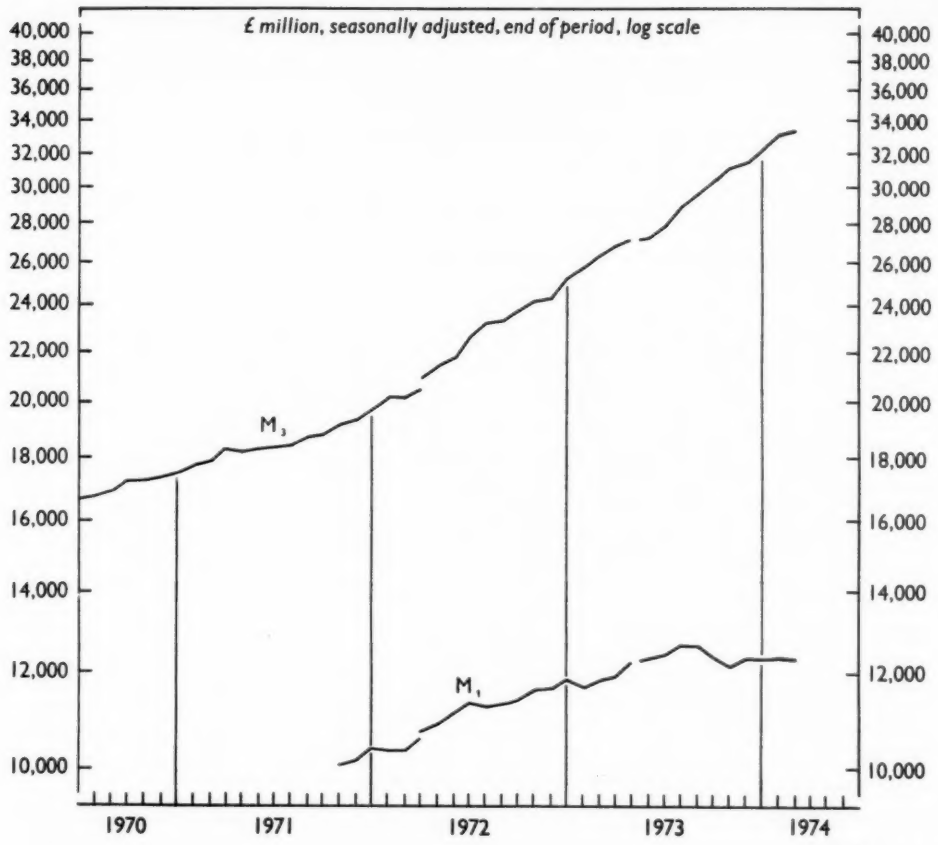
Balance of payments (*continued*)



£ million, not seasonally adjusted

	Current balance	Total currency flow
1969 1st quarter	— 26	+ 272
2nd quarter	+158	+ 82
3rd quarter	+149	— 47
4th quarter	+170	+ 436
1970 1st quarter	+234	+ 915
2nd quarter	+163	+ 227
3rd quarter	+ 70	— 202
4th quarter	+230	+ 347
1971 1st quarter	+ 66	+ 973
2nd quarter	+348	+ 634
3rd quarter	+371	+ 668
4th quarter	+282	+ 953
1972 1st quarter	— 25	+ 57
2nd quarter	+180	—1,045
3rd quarter	—155	— 79
4th quarter	+ 69	— 198
1973 1st quarter	—363	+ 69
2nd quarter	—185	+ 377
3rd quarter	—326	— 258
4th quarter	—594	+ 22

Monthly stock of money



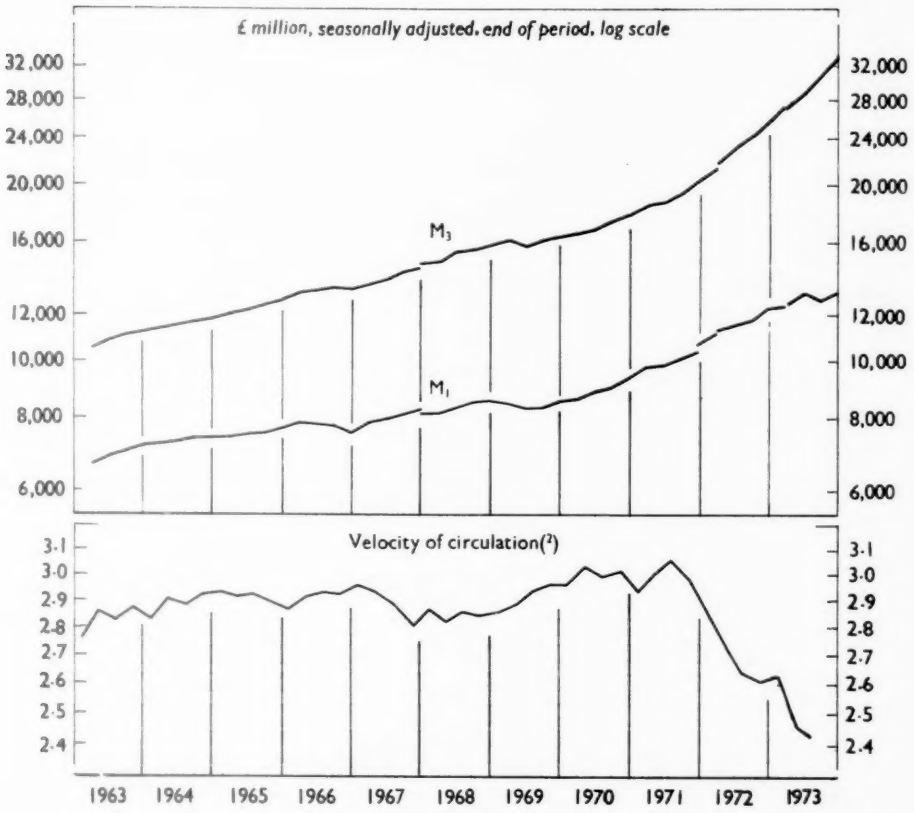
£ million, seasonally adjusted

		M_1 (1)(2)		M_3 (1)(2)	
		Outstanding	Changes during 'banking months' ending	Outstanding	Changes during 'banking months' ending
1972	April 19	10,940	208	21,480	547
	May 17	11,090	152	21,820	334
	June 21	11,370	276	22,660	839
	July 19	11,300	— 68	23,130	476
	August 16	11,350	47	23,300	164
	September 20	11,420	70	23,770	474
	October 18	11,580	160	24,070	299
	November 15	11,630	48	24,380	324
	December 13	11,840	210	25,070	699
1973	January 17	11,730	—101	25,630	559
	February 21	11,820	81	26,410	777
	March 21	11,940	122	26,820	409
	April 18(3)	12,270	336	27,190	373
		12,270		27,130	
	May 16	12,310	38	27,240	108
	June 20	12,440	130	27,900	659
	July 18	12,660	218	28,990	1,097
	August 15	12,620	— 42	29,610	617
	September 19	12,350	—267	30,330	720
	October 17	12,150	—197	31,100	767
	November 21	12,330	178	31,500	399
	December 12	12,320	— 14	32,320	828
1974	January 16	12,340	25	33,020	697
	February 20	12,270	— 76	33,460	437
	March 20				

(1) An article on money stock was published in the March 1972 issue of *Economic Trends*.
(2) The break in series indicates the inclusion of five finance houses recognised or confirmed as banks in January 1972. For further details see *Financial Statistics, Notes and Definitions*, April 1973.
(3) See supplement to *Notes and Definitions* in *Financial Statistics*.

The stock of money

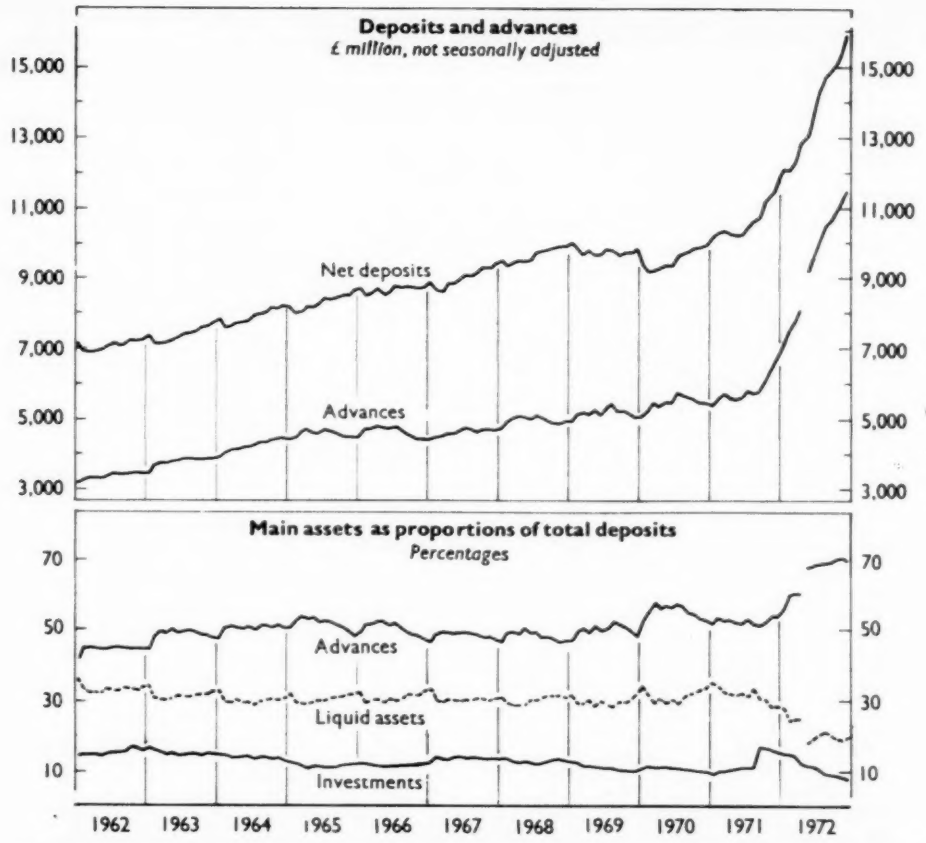
The breaks in the money stock series at December 1967, March 1972 and March 1973 show the effects of changes in contributors which are described in *Financial Statistics*. The break in the series for M_1 at December 1971 reflects additional statistical information and is explained in notes to Table 12 in the *Bank of England Quarterly Bulletin*, March 1972.



	Money stock (1)		Velocity of circulation (2)
	M_1	M_3 §	
	£ million, seasonally adjusted		
Amounts outstanding at end of period			
1969 March	8,490	16,070	2·850
June	8,330	15,870	2·888
September	8,320	16,030	2·944
December	8,580	16,300	2·966
1970 March	8,650	16,410	2·962
June	8,960	16,980	3·029
September	9,060	17,390	2·995
December	9,380	17,840	3·011
1971 March	9,800	18,420	2·946
June	9,910	18,730	3·003
September	10,230	19,200	3·067
December	10,820	20,240	2·992
1972 March	11,230	21,210	2·852
	11,290	21,620	
June	11,740	23,150	2·749
September	11,900	24,170	2·637
December	12,380	25,930	2·608
1973 March	12,430	27,430	2·630
	12,430	27,410	
June	13,180	28,650	2·459
September	12,850	30,980	2·433
December	13,100	33,160	

(1) The estimates include allowance for wastage, hoarding, etc. of coin in circulation which is not incorporated in the changes shown in the chart and table on page 38. See also footnote on page 38.
(2) Ratio of GNP at current market prices seasonally adjusted expressed at an annual rate to the centred quarterly average of M_3 seasonally adjusted.

London clearing banks



The banks' main assets are their advances to customers, their liquid assets (these are cash and balances with the Bank of England, other than special deposits, money at call and short notice and bills discounted) and their investments (mainly British government securities). Deposits are their main liabilities. In recent years the ratio of advances to deposits has risen and the ratio of liquid assets to deposits has fallen. From September 1971 both deposits and advances have risen more rapidly because the banks have begun to do business in new areas, previously left entirely to their subsidiaries; these include the issue and holding of sterling certificates of deposit, dealings in the sterling inter-bank market and an expansion of foreign currency business.

Note: Data is no longer collected on this basis from the London clearing banks. Consideration is, at present, being given as to which alternative series should be shown in *Economic Trends*.

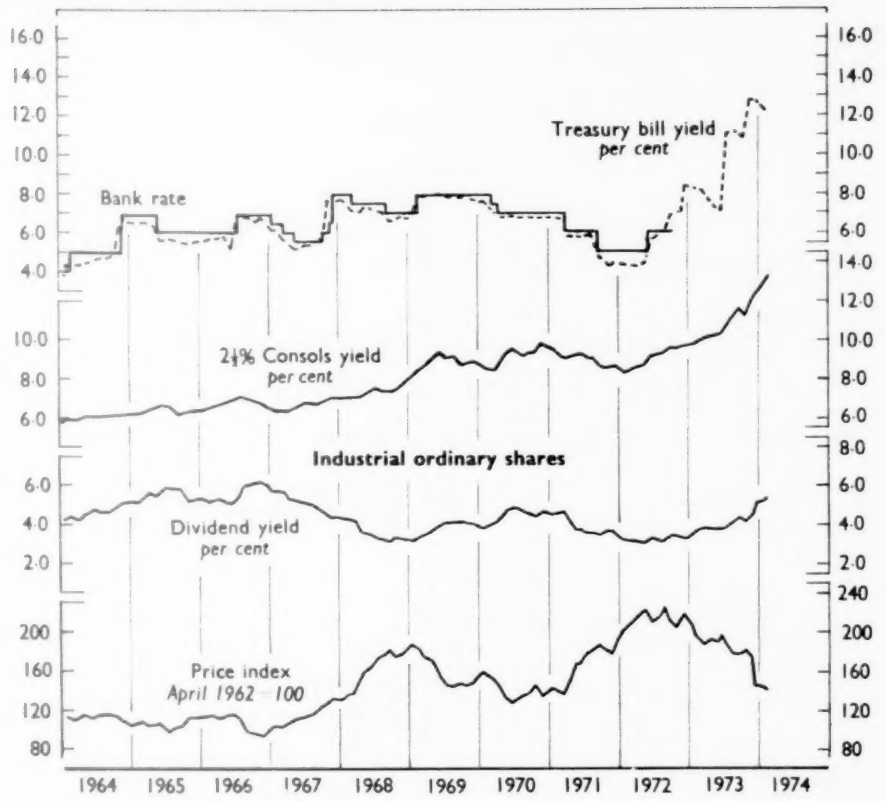
	Net deposits (1)	Advances to customers, etc. (2)	Main assets as proportions of gross deposits		
			Liquid assets	Investments	Advances (3)
	£ million, not seasonally adjusted		Percentages		
1970 October 21	9,861	5,591	32·6	10·2	54·8
November 18	9,924	5,515	33·3	10·1	53·3
December 9	9,997	5,495	33·8	10·0	52·8
1971 January 20	10,224	5,440	35·7	9·9	51·9
February 17	10,347	5,618	34·4	10·2	53·7
March 17	10,350	5,701	32·4	10·2	52·9
April 21	10,332	5,657	32·3	10·7	53·1
May 19	10,291	5,630	32·2	10·9	52·5
June 16	10,300	5,653	32·7	11·0	52·3
July 21	10,555	5,820	32·0	11·0	53·4
August 18	10,653	5,709	33·6	11·0	51·9
September 15	10,728	5,722	30·7	17·2	51·6
October 20	11,227	6,064	30·5	16·7	52·2
November 17	11,412	6,407	28·6	16·6	54·4
December 8	11,859	6,679	28·8	16·0	54·4
1972 January 19	12,118	7,038	28·1	15·8	56·3
February 16	12,087	7,524	24·5	15·5	60·4
March 15	12,343	7,800	25·0	14·2	60·8
April 19	12,816	8,116	25·0	13·2	60·7
May 17(4)	13,015	9,191	18·6	12·7	67·6
June 21	13,515	9,609	19·6	11·5	68·3
July 19	14,382	10,262	20·5	10·3	68·7
August 16	14,729	10,510	21·0	9·6	69·2
September 20	14,886	10,666	20·6	9·5	69·4
October 18	15,071	10,966	19·6	9·4	70·5
November 15	15,425	11,316	19·4	9·0	70·6
December 13	15,988	11,568	20·4	8·6	69·9

(1) Total deposits less balances with, and collections on, other banks, and items in transit, etc. (2) Excluding advances to nationalised industries and items in transit. (3) Total advances excluding items in transit. (4) The break in series at May 17 1972 reflects the transfer of £670 million refinanceable credits and short-term export finance from Other bills to Advances to customers, etc.

Interest rates, security prices and yields

Bank rate (¹)

Date of change	New rate
1960 January 21	5
June 23	6
October 27	5½
December 8	5
1961 July 25	7
October 5	6½
November 2	6
1962 March 8	5½
March 22	5
April 26	4½
1963 January 3	4
1964 February 27	5
November 23	7
1965 June 3	6
1966 July 14	7
1967 January 26	6½
March 16	6
May 4	5½
October 19	6
November 9	6½
November 18	8
1968 March 21	7½
September 19	7
1969 February 27	8
1970 March 5	7½
April 15	7
1971 April 1	6
September 2	5
1972 June 22 to October 12	6



	Bank of England's minimum lending rate (¹)	Treasury bill yield	2½% Consols yield	Industrial ordinary shares	
	Last Friday			Yield	Price index
	Percentage				April 1962 = 100
1972 January	..	4·40	8·39	3·37	201·38
February	..	4·41	8·40	3·31	206·98
March	..	4·36	8·57	3·23	213·55
April	..	4·31	8·68	3·16	219·48
May	..	4·35	8·92	3·14	223·46
June	..	5·72	9·34	3·36	211·55
July	..	5·85	9·35	3·31	215·09
August	..	5·91	9·46	3·19	224·66
September	..	6·74	9·58	3·41	210·64
October	7½	7·01	9·59	3·50	206·76
November	7½	7·06	9·58	3·43	213·26
December	9	8·48	9·71	3·33	219·31
1973 January	8½	8·29	9·79	3·50	209·35
February	8½	8·23	9·89	3·82	193·47
March	8½	8·10	10·16	3·93	188·85
April	8½	7·82	10·23	3·85	193·04
May	7½	7·33	10·34	3·87	191·66
June	7½	7·08	10·38	3·79	196·83
July	11½	11·20	10·84	4·06	185·22
August	11½	11·28	11·37	4·20	179·69
September	11½	11·25	11·60	4·48	177·52
October	11½	10·96	11·31	4·15	182·90
November	13	12·85	11·89	4·40	173·77
December	13	12·82	12·38	5·28	145·37
1974 January	12½	12·40	12·79	5·29	144·94
February	12½	12·18	13·49	5·41	141·95
March	..	..	..	..	..

(¹) With effect from 13 October 1972, the Bank's minimum lending rate to the market will normally be ½% higher than the average rate of discount for Treasury bills established at the weekly tender, rounded to the nearest ¼% above; the rate normally becomes effective, for lending by the Bank, from the following Monday.

Measures of variability of some major series included in *Economic Trends* (1)

	Page	Period covered	Average percentage changes			$\bar{I}/\bar{C}$	MCD or QCD	$\bar{I}/\bar{C}$ for MCD (or QCD) span
			$\overline{CI}$	$\bar{I}$	$\bar{C}$			
Quarterly series								
National income and components at 1970 prices								
GDP, factor cost								
Expenditure based	2, 28	1st quarter 1963 to 2nd quarter 1973	1·3	0·9	0·8	1·1	2	0·4
Income based	2	" " " " " " "	1·3	0·8	0·9	0·9	1	0·9
Output based	2	" " " " " " "	0·9	0·5	0·8	0·6	1	0·6
Average estimate	2	" " " " " " "	1·0	0·7	0·8	0·8	1	0·8
Consumers' expenditure	3	" " " " " " "	1·2	0·7	0·8	0·9	1	0·9
Fixed capital formation								
Total	4	" " " " " " "	2·4	1·6	1·4	1·2	2	0·5
Manufacturing industry	4, 12	" " " " " " "	3·1	1·9	2·1	0·9	1	0·9
Stockbuilding(2)								
Total	4, 16	" " " " " " "	*74·9*	*68·7*	*36·1*	1·9	2	0·7
Manufacturing	4, 16	" " " " " " "	*57·6*	*45·4*	*27·7*	1·6	2	0·6
Exports: goods and services	8	" " " " " " "	3·6	2·6	1·8	1·4	2	0·6
Imports: goods and services	8	" " " " " " "	2·8	1·9	1·7	1·2	2	0·5
Personal disposable income	3	" " " " " " "	1·5	1·0	0·9	1·1	2	0·4
Other national income series								
Income from employment	28	" " " " " " "	2·1	0·4	2·1	0·2	1	0·2
Gross trading profits of companies	28	" " " " " " "	3·9	2·6	2·5	1·0	2	0·4
Income from rent and self-employment	28	" " " " " " "	2·6	0·5	2·5	0·2	1	0·2
Other quarterly series								
New construction output	23	1st quarter 1964 to 4th quarter 1971	1·6	1·2	0·7	1·6	2	0·9
Money stock (M_3) (3)	39	1st quarter 1963 to 4th quarter 1972	2·6	0·5	2·1	0·2	1	0·2
Monthly series(4)								
Retail sales								
Total: current prices	11	January 1961 to August 1973	1·0	0·8	0·5	1·5	2	0·8
Total: constant prices	11	" " " " "	0·9	0·8	0·2	3·5	4	0·9
Food shops	11	" " " " "	0·6	0·6	0·1	3·9	5	0·9
Clothing and footwear shops	11	" " " " "	2·0	2·0	0·3	5·7	6	
Durable goods shops	11	" " " " "	1·6	1·4	0·7	2·1	3	0·7
Other non-food shops	11	" " " " "	1·0	1·0	0·4	2·7	3	0·9
Cars: new registrations	11	January 1954 to December 1972	7·2	6·5	2·5	2·6	4	0·7
Housing: public authorities(5)								
Starts	15	January 1956 to December 1973	11·9	11·7	1·4	8·2	6	
Completions	15	" " " " "	8·2	8·1	1·0	7·7	6	
Housing: private								
Starts	15	" " " " "	7·8	7·4	2·0	3·7	4	1·0
Completions	15	" " " " "	5·5	5·5	0·9	6·0	6	
Index of industrial production								
All industries	2, 18	January 1968 to December 1972	0·7	0·6	0·2	3·4	4	0·9
Manufacturing industries	2	" " " " "	0·8	0·7	0·3	2·8	3	1·0
Engineering and allied industries	18	" " " " "	1·2	1·2	0·3	4·0	5	0·8
Chemicals and allied industries	18	" " " " "	1·6	1·5	0·4	3·5	4	0·9
Textiles, leather and clothing industries	18	" " " " "	1·5	1·4	0·3	4·7	6	0·9
Crude steel production	21	January 1962 to April 1972	3·9	3·6	1·1	3·2	4	0·9
Passenger car production:								
Home market	22	January 1958 to December 1971	9·0	8·0	2·5	3·2	5	1·0
Export	22	" " " " "	8·3	7·6	2·2	3·4	4	0·9
Commercial vehicle production:								
Home market	22	" " " " "	7·9	7·4	1·6	4·7	6	
Export	22	" " " " "	7·5	7·3	1·6	4·8	5	0·9
Unemployed(4)	26	January 1961 to December 1972	*10·8*	*4·3*	9·6	0·4	1	0·4
Unfilled vacancies(4)	3, 26	" " " " "	*4·8*	*2·1*	*4·2*	0·5	1	0·5
Average earnings	3, 29	January 1963 to December 1972	0·8	0·4	0·7	0·6	1	0·6
Exports: value, f.o.b.	31	January 1957 to December 1971	3·7	2·7	0·8	3·4	4	0·8
Imports: value, c.i.f.	31	" " " " "	2·9	1·8	0·8	2·3	3	0·7

(1) For a complete description of these measures see article 'Measuring variability in economic time series' in the August 1972 issue of *Economic Trends*. The following are brief definitions of the measures.

$\overline{CI}$ is the average month to month (quarter to quarter for quarterly series) percentage change without regard to sign, in the seasonally adjusted series.

$\bar{C}$ is the same for the trend component, a smooth flexible moving average of the seasonally adjusted series.

$\bar{I}$ is the same for the irregular component, obtained by dividing the trend component into the seasonally adjusted series, except for those series which are seasonally adjusted using an additional model, see footnotes (2), (3) and (5).

$\bar{I}/\bar{C}$ is therefore a measure of the size of the relative irregularity of the seasonally adjusted series.

The average changes $\bar{I}$ and $\bar{C}$ can also be computed successively over spans of increasing numbers of months (quarters). MCD (QCD), months (quarters) for cyclical dominance, is the shortest span of months (quarters) for which $\bar{I}/\bar{C}$ is less than 1 and therefore represents the minimum period over which changes in the trend are, on average, greater than the irregular movement.

(2) The figures in the table were obtained from an additive analysis of stock changes so $\overline{CI}$, $\bar{I}$ and $\bar{C}$ are not percentage changes but differences in units of £ million. At present seasonal adjustment of the published stocks series is done multiplicatively on the level of stocks.

(3) Although the series is seasonally adjusted additively the figures for $\overline{CI}$, $\bar{I}$ and $\bar{C}$ are presented as percentages of the level of the trend in the preceding quarter.

(4) Series are included in this section if they are normally published in monthly form. For some of these series only short runs of monthly figures are given in *Economic Trends*, and in some cases they are given only as quarterly averages. Reference should be made in these cases to the *Monthly Digest of Statistics*, which contains most of them, or to the original sources.

(5) Series relate to Great Britain, though variability measures calculated from England and Wales component.

(6) The seasonal adjustment is additive, so the figures for $\overline{CI}$, $\bar{I}$ and $\bar{C}$ are not percentage changes but differences in units of thousands.

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